Norcen

Annual Report 1983

The solid achievements of 1983 have further strengthened Norcen's potential for future growth.

Norcen Energy Resources is engaged in the exploration for and production of oil and natural gas in Canada, including Alberta, British Columbia, Saskatchewan, the Beaufort Sea and offshore east coast, and the United States and Australia. Through subsidiaries and affiliates, Norcen also participates in significant iron ore operations in Newfoundland and operates major natural gas distribution systems in Ontario and Manitoba.

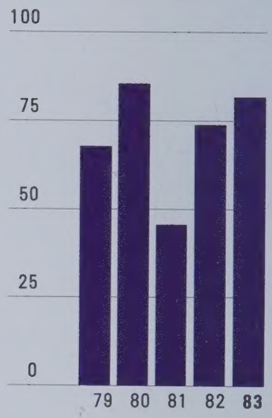
Cover: As part of Norcen's aggressive programs to achieve record liquid production levels, a drilling crew performs a 'workover' to bring an old well back into production at the Joarcam field near Edmonton, Alberta.

With oil and gas liquids production at record levels, Norcen will continue to focus on the expansion of our natural resource operations in North America. The Company is moving through the eighties with new strengths and opportunities emerging from the acquisitions and financings accomplished in 1983.

Highlights

Income
(millions of dollars)

Income all but recovered to the pre-NEP levels

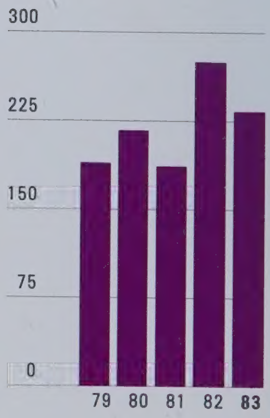


Funds from operations
(millions of dollars)

Funds from operations reached record levels

Capital expenditures
(millions of dollars)

Investments for future income growth were maintained



Financial	**1983**	1982	% change
	(millions of dollars)		
Sales and other revenues	**$1,132.8**	$1,013.2	+ 12%
Funds from operations	**$ 203.1**	$ 175.9	+ 15%
Income applicable to ordinary shares	**$ 79.7**	$ 72.2	+ 10%
Capital expenditures	**$ 235.9**	$ 276.2	− 15%
	(dollars)		
Per ordinary share (i)			
Earnings	**$ 1.46**	$ 1.36	+ 7%
Dividends	**$ 0.50**	$ 0.50	
Market price			
High	**$ 20.50**	$ 17.63	
Low	**$ 14.06**	$ 10.88	
Close			
Voting	**$ 17.13**	$ 14.56	
Non-voting	**$ 16.13**	$ 14.56	
	(millions)		
Ordinary shares (i)			
Average number outstanding	**54.7**	53.2	
Volume of trading	**11.7**	9.8	

(i) On the assumption that, prior to a change in share capital on November 4, 1983, each ordinary share was equivalent to one-half a common share.

Operating			
Oil and gas production	(thousands of barrels per day)		
Oil and gas liquids	**30.9**	27.0	+ 14%
	(millions of cubic feet per day)		
Natural gas	**119.3**	137.8	− 13%
Gross wells drilled	**327**	328	
Oil and gas reserves	(millions of barrels)		
Oil and gas liquids	**117.5**	114.3	+ 3%
	(billions of cubic feet)		
Natural gas	**1,103.0**	1,133.0	− 3%
	(billions of cubic feet)		
Gas utilities sales	**150.4**	155.3	− 3%

Report to the shareholders

Record levels of crude oil and natural gas liquids production were the principal contributors to Norcen's strong financial performance in 1983. Income applicable to ordinary shares was $79.7 million or $1.46 per ordinary share in 1983, an increase of 10 percent over $72.2 million or $1.36 per ordinary share a year ago. Funds generated from operations rose 15 percent to $203.1 million from $175.9 million in 1982.

With the completion in mid-year of the acquisition of the mineral resource assets of Labrador Mining and Exploration Company Limited and Hollinger Argus Limited, Norcen has added a third line of business which provides further diversification and participation within the natural resource sector of the economy.

Oil and Gas

Norcen has good exploration potential in all of Canada's oil and gas areas with extensive landholdings in the Western Canadian Sedimentary Basin as well as in the Beaufort Sea, the Arctic Islands and off the east coast.

During 1983, Norcen broadened its exploratory efforts in Canada's frontiers as well as internationally. Norcen participated in a very encouraging oil discovery off the northwest coast of Australia and will be investing funds in a multi-well program planned for this area in 1984. A joint venture exploration program in the Gulf Coast area of the U.S. commenced in 1983 and this activity, combined with a continuing program in the U.S. Rocky Mountain region, has expanded the effort to augment and diversify Norcen's revenue base.

Production of crude oil and natural gas liquids reached an all time high during 1983. Increases resulting from successful recent exploration and resumption of full production of synthetic crude oil more than offset production declines in older fields. World oil prices dropped from a year ago; however, domestic wellhead prices for certain categories of oil increased as the result of amendments to Canadian government pricing agreements. At the end of 1983, 52 percent of Norcen's total liquids production received the highest level of domestic prices, compared with 23 percent at the end of the previous year.

Natural gas production continued to be adversely affected by lack of demand, particularly in the U.S. To a large degree, this has been brought on by Canadian gas not being competitively priced in this market. The pricing of natural gas exports to the U.S. must be market-oriented in order for Canadian shipments to the U.S. to show an increase. Norcen's production capacity is almost double its 1983 producing rate so that, if demand recovers, Norcen's natural gas revenues will rise without need for further capital investment.

Mineral resources

The principal assets of the newly formed Mineral resources division are related to iron ore mining and processing in Canada. The profitability of this division depends to a large degree on the level of world economic activity as well as the ability of Iron Ore Company of Canada to remain cost competitive. Norcen believes that it acquired these assets on favourable terms at the trough of the economic cycle. As the North American and world economies continue to move out of the recession, the steel industry will participate in the recovery, thereby enhancing the Mineral resources division's ability to make a meaningful contribution to Norcen's financial performance.

Gas utilities

In 1983, the Ontario Energy Board accepted the principle of setting rates for gas service provided by Northern and Central Gas on a forward-looking operating cost environment and rate base. This had the effect of minimizing the 'regulatory lag' previously experienced so that the utility is now in a better position to achieve the returns permitted by the regulatory authority.

Sales volumes of natural gas declined from a year earlier, principally due to warmer weather reducing sales to the temperature-sensitive residential and commercial markets, and to the economic recession inducing a cut back by industrial customers. With a more normal weather pattern, the addition of residential customers and the resumption of a higher level of industrial activity, sales volumes may be expected to resume an upward trend.

Capital expenditures

In 1983, Norcen continued its policy of reinvesting all funds generated from operations for growth in assets and earnings. Not including the mineral resource acquisition, capital expenditures in 1983 totalled $236 million, of which $ 190 million was for oil and gas exploration and development (before deduction of government incentive payments of $84 million) and $45 million for gas utility facilities in Ontario and Manitoba. Gross capital spending for 1984 has been budgeted at approximately $318 million, before deducting incentive payments estimated at $ 110 million.

Financing

Norcen's external capital requirements in the past — principally in connection with its mineral resource acquisition — have been provided from various forms of variable rate borrowings under short and medium term bank lines of credit; external capital requirements of the gas utilities have been funded at fixed rates of interest by the periodic issue of long term debt securities by Northern and Central Gas.

With the dual objectives of obtaining more permanent capital and of achieving a more balanced debt to equity ratio of total capitalization, Norcen shareholders approved an alteration in Norcen's share capital in October, 1983; the common shares were changed into an equal number of voting ordinary shares and non-voting ordinary shares. This change did not affect the voting rights of the then present shareholders. Shortly thereafter, Norcen sold, in a public offering in Canada, $ 150 million of 7¾% Convertible Preference Shares, 1983 Series, convertible until 1990 into the new non-voting ordinary shares at a price of $ 19.50 per share.

Also during 1983, Norcen and Northern and Central Gas issued and sold an aggregate of $ 165 million fixed rate long term debt securities.

Proceeds from the preference share and long term debt financings — totalling $315 million — were applied to reduce variable rate borrowings under bank lines of credit. Subject to market and other conditions, Norcen plans to issue additional fixed rate long term debt securities in 1984 to repay more of its variable rate borrowings.

Outlook

Norcen's reserves of oil and gas in western Canada, its mature gas utilities and its long life revenue-producing iron ore assets will provide a solid base of cash flow and earnings for many years to come.

With stable prices for oil and gas expected over the near term, revenue and income gains will have to come from production increases as the result of successful exploration and from improved markets for natural gas as well as for iron ore.

Norcen will continue to invest a large part of its cash flow in the search for hydrocarbons in western Canada and the U.S., to replace its current production and thereafter increase future production of oil and natural gas.

While further drilling must be carried out to evaluate the full extent of its success, the initial oil discovery off the northwest coast of Australia (where taxation of hydrocarbon production is presently less onerous than in Canada) provides the prospects for significant increases in revenues and income in the medium term.

Norcen is well represented in exploration activity in all of Canada's frontier areas where current and ongoing expenditures provide the potential for revenue and income gains in the longer term.

Throughout Canada's oil and gas industry, the burden of rising taxation has resulted in declines in capital investment as well as investment returns. While governments have implemented a system of incentives, these serve mainly to increase activity. A greatly simplified fiscal regime — with the emphasis on rewarding success rather than activity — would result in a more efficient use of capital and would serve better the long term interests of both the industry and the public.

On behalf of the Board

Conrad M. Black Chairman	Edward G. Battle President and Chief Executive Officer

February 21, 1984.

Oil and Gas

Extensive land holdings, aggressive exploration programs, promising discoveries and record production levels, present exciting prospects for 1984.

Norcen operator, Brian Evans, checks the equipment on an oil production battery at the Swalwell field north of Calgary.

Liquid production was the highest in the Company's history averaging 30,880 barrels per day

A promising oil discovery was made offshore Australia

A major farm-in was obtained from Gulf Canada in the Avalon Basin, offshore Newfoundland

An encouraging oil show was encountered at Pitsiulak in the Beaufort

Exploration was broadened in the United States through participation in a new joint venture on the Gulf Coast

Additions to oil and gas liquids reserves more than offset production for the year

Exploration and development
Western Canada

In 1983, Norcen's capital expenditures for oil and gas activities in western Canada, before receipt of petroleum incentive payments, were $109 million, compared with $111.3 million the year before. Of this amount, $65.3 million was spent on conventional oil and gas exploration; $31.3 million on maintaining production from existing oil and gas fields and developing reserves not previously connected to market; and $12.4 million funded exploration and development in heavy oil areas. In 1984, capital expenditures in western Canada are expected to total $113.9 million.

Oil

The year's drilling program concentrated on oil prospects in Alberta and Saskatchewan. The renewed activity in Saskatchewan was prompted by a royalty holiday on all new oil production. The main areas of activity were:

Tatagwa, southeast Saskatchewan: Norcen drilled and completed seven additional oil wells. The Company now has nine wholly-owned wells in this area producing approximately 1,000 barrels of oil per day. In the Colgate area, five miles to the southeast, the Company has a 75 percent working interest in four new oil wells producing approximately 500 barrels a day.

Sturgeon Lake, northern Alberta: Norcen has a 50 percent interest in an oil discovery in the Leduc reef. Additional acreage was purchased in the area, in which Norcen has working interests ranging from 50 to 100 percent, and further drilling is anticipated for 1984.

Spirit River, northern Alberta: Oil was discovered in the Triassic Halfway formation. Norcen has a 50 percent interest in five recently completed wells. Further drilling is planned for 1984.

Gift, northern Alberta: Norcen has a 21.9 percent interest in eight Slave Point oil wells and one Slave Point and Gilwood dual zone producer completed during the year. The Company has interests of 50 to 100 percent in acreage in the area and further exploratory drilling is planned for 1984.

Harmattan, central Alberta: Norcen participated in drilling eight Viking oil wells during

Norcen foreman, Bill Harke, reviewing data during the servicing of a well in the Harmattan East field, north of Calgary.

1983 and further development drilling is planned for 1984. The Company's interests range from 26 to 67 percent.
Provost, east central Alberta: An exploratory well which discovered medium gravity oil was followed up with the drilling of 10 successful oil wells on lands in which Norcen has a 50 percent interest.
Hearts Hill, western Saskatchewan: A discovery of heavy oil has been followed up with nine additional wells.

Gas
In 1983, Norcen continued to delineate recent gas discoveries, and construct production facilities to bring these reserves to market. The main areas of interest were:
Boyer, northwest Alberta: Norcen further developed the Bluesky-Gething reservoir. The pipeline gathering system was extended and tied in an additional 16 wells for a total of 26 wells that are capable of producing up to 20 million cubic feet per day. Norcen's interest in this project is 90 percent.
McLeod River, west central Alberta: In late 1982 and early 1983, three wells, in which Norcen's interest is 85 percent, were drilled and completed as gas wells. Production of two million cubic feet per day began late in 1983.

Elsewhere in Alberta, gas discoveries were made in the Leedale, Ferrier and Garrington areas. Plans are underway to market gas reserves in the Bigoray, Majorville, Grimshaw and Saddle Hills areas which have a sales potential of five million cubic feet per day.

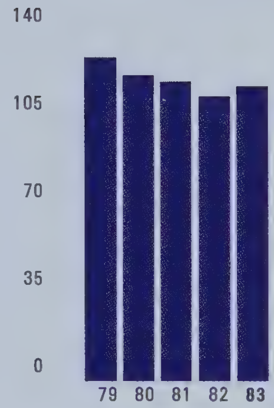
Canadian frontier

Throughout 1983, Norcen concentrated its Canadian frontier exploration effort in the Beaufort Sea and offshore east coast. In 1984, Norcen will increase capital spending in the Canadian frontier with drilling in the Beaufort Sea and in the Avalon Basin, north-east of the Hibernia oil field.

Beaufort Sea
In the Beaufort Sea, where ice conditions were the worst in drilling history, Norcen participated in three wells, Pitsiulak A-05, East Amauligak J-44 and Kogyuk N-67, as part of the Gulf Canada/Beaufort Sea farm-in agreement which includes two further exploratory wells. Drilling equipment at Pitsiulak was

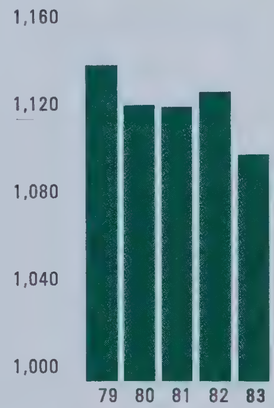
Oil and gas liquids reserves
(millions of barrels)

Successful exploration more than replaced current production



Natural gas reserves
(billions of cubic feet)

Natural gas reserves reflect the lower priority given to natural gas exploration



Norcen operator, Henry Reinhart, checks the gauge on a heavy oil storage tank at Bodo, Alberta.

forced off the location by ice shortly after encouraging indications of oil were found. East Amauligak was suspended as planned, with casing set just above the zone of primary interest. Both wells will be deepened in 1984 to evaluate the prospective horizons. Kogyuk has been abandoned after failing to encounter hydrocarbons. The Company will retain in the work prospect areas an 18 percent interest in Pitsiulak, 15 percent in East Amauligak and 10.8 percent in Kogyuk.

Avalon Basin, offshore Newfoundland

During 1983, Norcen entered into a major farm-in agreement with Gulf Canada in the Avalon Basin. Norcen has the right to earn a 9.375 percent working interest in approximately 4.4 million acres by paying 18.75 percent of the drilling costs for five commitment and seven option wells. The first well, Trave E-87, is currently drilling while the others are scheduled through 1984 and 1985. In addition, by paying 9.375 percent of the cost to drill Archer K-19 and Voyager J-18, Norcen earns a 4.6875 percent interest in the wells and 130,000 surrounding acres.

Norcen participated in the drilling of North Dana I-43, on holdings farmed-out from Mobil and Gulf. The well was abandoned in January, 1984, after testing gas and condensate. Another prospective zone showing positive indications of gas and oil during drilling could not be tested due to mechanical problems.

International

Australia

During 1983, a promising oil discovery was made offshore northwest Australia. The well, Jabiru-1A, in which Norcen has a working interest of 12.5 percent, tested oil at rates in excess of 7,000 barrels per day from each of three intervals. Data obtained during testing indicated the well should be capable of significantly higher production rates. Plans for 1984 include seismic surveys, appraisal and additional exploratory drilling.

North Sea

During the year, Norcen sold its U.K. North Sea interests for $25.8 million after concluding that better investment potential existed in Australia and the United States.

United States

In mid 1983, Norcen joined a Texas-based oil company in an exploration joint venture concentrating in the Texas and Louisiana Gulf Coast area. To date, Norcen has participated in the drilling of 16 exploratory wells resulting in the discovery of five gas wells and one oil well. During 1984, drilling activity in this joint venture should increase substantially.

In 1983, the Company spent $8.4 million on exploration programs in the Rocky Mountain area – primarily in the Powder River Basin of Wyoming.

Land

During the year, Norcen maintained its position as one of the largest acreage holders in western Canada, where approximately 100,000 net acres of new leases and licences were acquired. Earning obligations to complete major land acquisitions in the Beaufort Sea and the east coast are in progress. Details of the Company's oil and gas land holdings appear in the table on page 16.

Production

Liquid hydrocarbons

1983 was a record year for liquid hydrocarbons production. Average daily production, before royalties, of crude oil, synthetic crude, and gas liquids was 30,880 barrels, compared with 26,996 barrels in 1982. Higher production from West Pembina, Tatagwa-Colgate, Golden and Countess-Lathom was primarily responsible for this increase of 14.4 percent.

Revenue from Norcen's oil sands lease, after payment of federal production taxes, increased by 46 percent to $28.6 million from $19.6 million in 1982. Norcen's revenue is derived from a royalty on sales of synthetic crude oil processed from the mineable sands on the lease. Total plant production averaged 47,400 barrels per day, compared with 34,300 barrels per day in 1982.

Production of heavy oil reached 2,751 barrels per day in 1983, compared with 2,626 barrels per day in 1982. The increase resulted

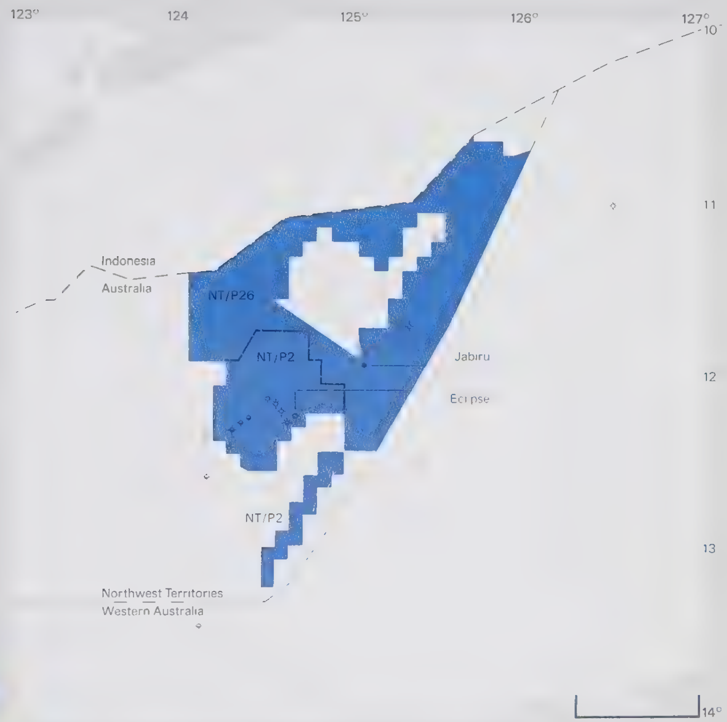
Jabiru
Norcen's land holdings in this region include a 12.5 percent interest in 3.7 million acres in the NT/P26 permit, and a five percent interest in 1.4 million acres in NT/P2. Further drilling is scheduled to begin in March and continue throughout the year.
Diagram: The schematic represents an advanced method of shooting seismic which enables a three dimensional picture of the underlying formations to be derived from processed data. The dots represent a tightly spaced pattern which is followed by a ship towing a cable with both shot points and receivers attached.

Texas/Louisiana Gulf Coast
Production of oil and gas from discoveries made in 1983 will commence this year. Exploration activities will be focused on known producing trends.

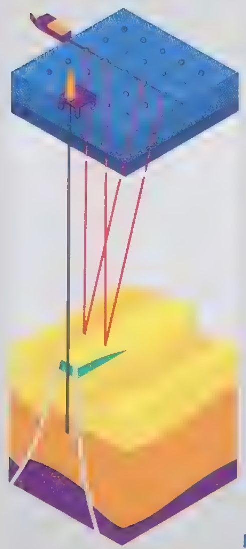
Avalon Basin
Completion of the Avalon Basin farm-in gives Norcen the frontier exposure we've been striving for. The size of the interests and the quality of the prospects, nicely complement our other frontier holdings.

Beaufort Sea
Norcen's land interests in this farm-in range from 10 to 18 percent in 295,647 gross acres. With encouraging indications of oil from the Pitsiulak well, to be tested this year, and evaluation of the promising Amauligak structure, 1984 may be the 'year of the Beaufort' for Norcen.
Diagram: The conical drilling unit named Kulluk (Inuit for 'thunder') is a floating drilling platform which is towed from site to site and anchored for drilling. With a state-of-the-art design, Kulluk can be operational until December, assuming normal ice conditions, whereas drill ships are usually forced out of the Beaufort in early November. The unit is being used to drill three of the wells in the farm-in.

Maps legend
- Norcen land interests
- Farm-in lands
- Non-prospective area
- Location/Drilling
- Abandoned well
- Oil well
- Oil show
- Abandoned oil well
- Gas well
- Gas show
- Abandoned gas well
- Water disposal well
- Oil pool
- Norcen oil pipeline



Jabiru
Australia



Jabiru-1A
- Sea
- Sea bed sediment
- Oil pool
- Seismic ray paths
- Shot point and receiver locations

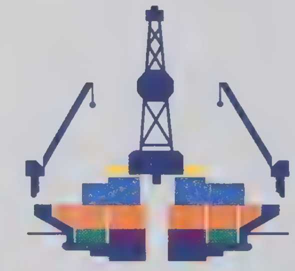
Australia

North America

Texas/Louisiana Gulf Coast

Avalon Basin
Newfoundland

Conical drilling unit
- Drill floor
- Main deck
- Storage deck
- Pump deck
- Hull tanks



Beaufort Sea
Northwest Territories

Tatagwa/Colgate
Norcen currently holds 11,840 gross (11,440 net) acres in the Tatagwa/Colgate area. In response to the royalty holiday, the pace of activity quickened considerably in Saskatchewan and 13 wells in this field were placed on production in 1983. Nine wells are planned for 1984.

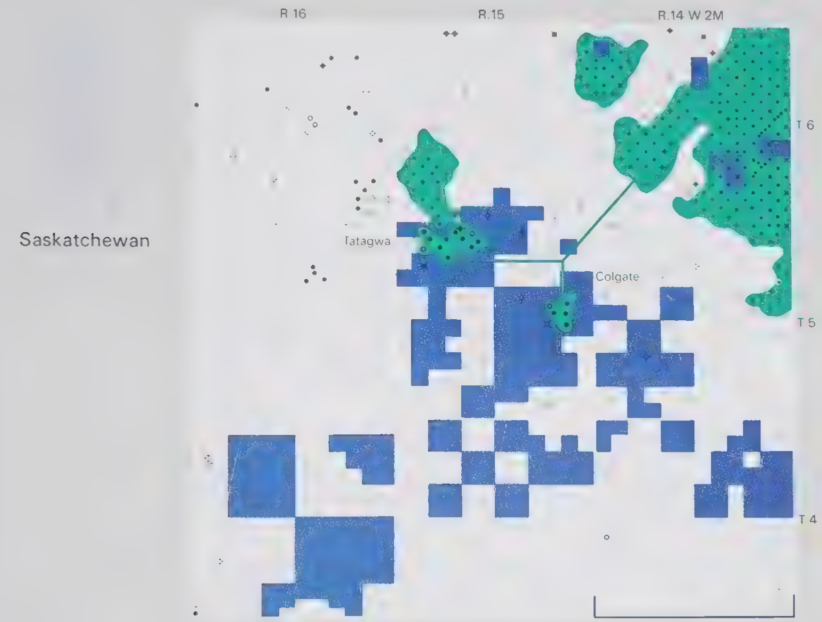
Spirit River
The five recently completed wells are currently producing a total of 150 barrels a day for Norcen. The Company holds 24,960 gross (20,000 net) acres in the area.

Diagram: A seismic survey is a valuable tool in the exploration for oil and gas. Explosions set off in 'shot' holes create shock waves which are reflected off subsurface formations and are recorded back on the surface. The length of time taken by the waves to travel down and back from the formations, as well as their intensity, reveal the characteristics of the underground structures.

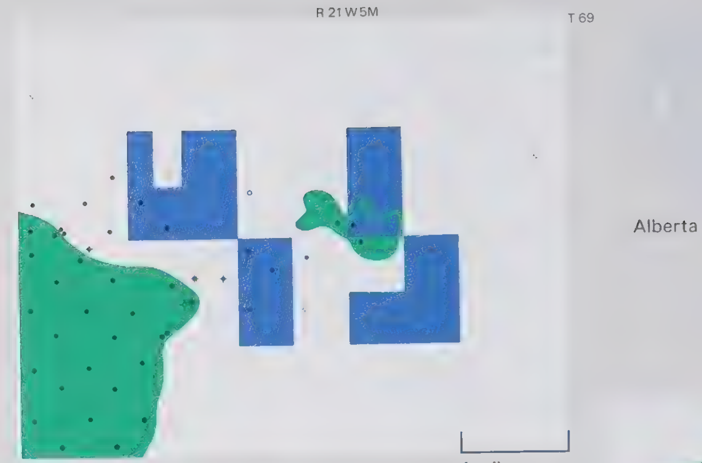
Sturgeon Lake South
Production from the discovery well is currently 600 barrels a day of which Norcen's share is 300 barrels. The Company currently holds 1,680 gross (1,120 net) acres in the area.

Diagram: This illustrates that our discovery at Sturgeon Lake South is the same geological formation as the famous Leduc discovery of 1947 which marked the birth of Canada's modern petroleum industry.

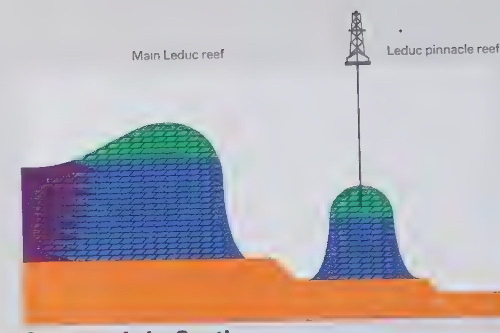
Gift
Norcen's net production from these wells is currently 250 barrels a day. The Company holds interests ranging from 50 to 100 percent in 1,440 gross (315 net) acres in the area.



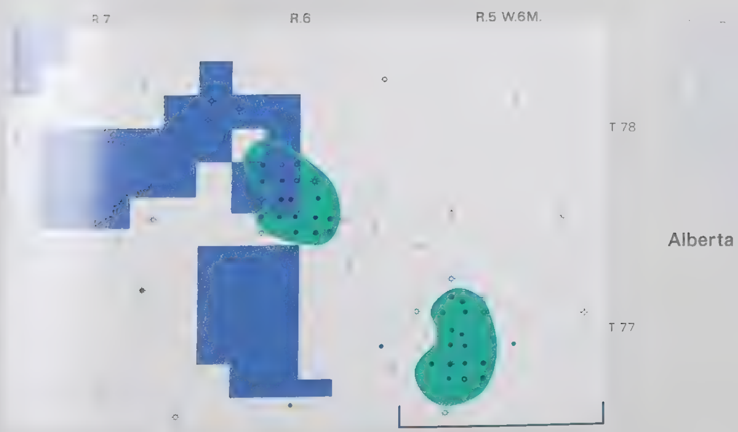
Tatagwa/Colgate
Saskatchewan



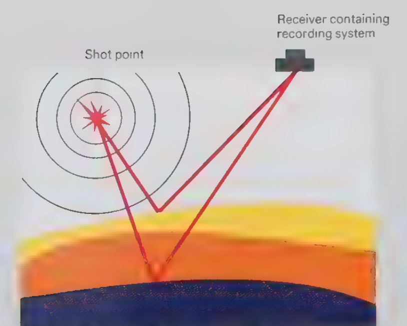
Sturgeon Lake South
Alberta



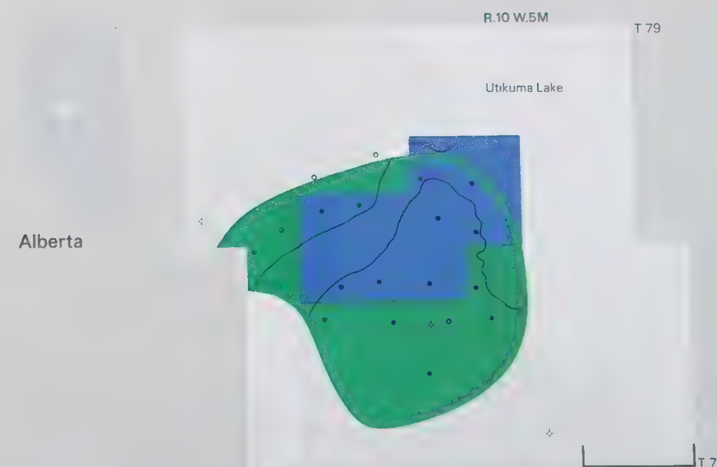
Sturgeon Lake South
■ Oil



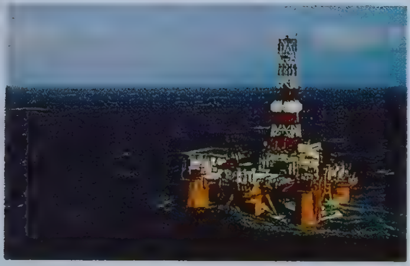
Spirit River
Alberta



Seismic recording
(on land)



Gift
Alberta



As part of the Avalon Basin exploration program, the Trave E-87 well is currently drilling offshore Newfoundland.

primarily from a full year's operation of the Bodo fireflood expansion project, and other, newly-drilled wells, offsetting the decline in older fields. In addition, heavy oil marketing in 1983 was characterized by a strong demand by U.S. refiners, complemented by improved export licensing procedures.

In July, 1983, amendments to the 1981 Energy Pricing Agreement fixed the conventional old oil price at $29.75 per barrel for fields discovered prior to 1974. In addition, fields discovered between 1974 and 1980 receiving the Special Old Oil Price became eligible for the higher New Oil Reference Price. At the end of 1983, 52 percent of Norcen's liquid hydrocarbon production received the New Oil Reference Price.

Natural gas

Gas production, before royalties, averaged 119.3 million cubic feet per day compared with 137.8 million cubic feet per day in 1982. Increased gas sales at Boyer and new gas sales at Cherhill, were more than offset by a large decrease in other sales due to the relatively warm winter and lower export demand.

The average wellhead price received for natural gas was $2.66 per thousand cubic feet compared with $2.65 in 1982. Wellhead price increases for the domestic market in February and in August were offset by a reduction in the Alberta border flowback and a higher cost of service.

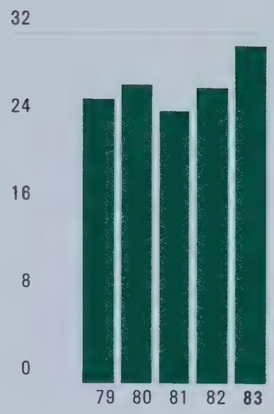
As a result of lower energy prices and greater competition in the U.S. gas markets, the price of natural gas exports was reduced in April, 1983, from U.S. $4.94 to U.S. $4.40 per thousand cubic feet. In addition, a volume-related incentive pricing scheme has been introduced making Canadian natural gas more competitive.

Reserves

Estimated reserves, before royalties, of crude oil, synthetic crude, and gas liquids, were 117.5 million barrels as of December 31, 1983, compared with 114.3 million barrels a year earlier. Estimated reserves of natural gas before royalties, were 1,103.0 billion cubic feet compared with 1,133.0 billion cubic feet at the end of 1982. These figures do not

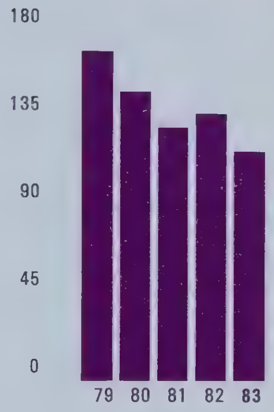
Crude oil and gas liquids production
(thousands of barrels per day)

Exploration and development programs boosted liquid hydrocarbon production to record levels



Natural gas production
(millions of cubic feet per day)

Natural gas production suffered from the economic recession and lower export demand



Oil and gas land holdings

December 31, 1983	Leases		Permits, reservations, concessions and licences		Total	
	Gross	Net	Gross	Net	Gross	Net
	(thousands of acres)					
Canada						
Alberta	4,697	1,853	392	244	5,089	2,097
British Columbia	1,223	231	21	3	1,244	234
Saskatchewan	210	110	9	7	219	117
Manitoba	92	34	3	3	95	37
Ontario	3	2			3	2
Canadian frontier						
Arctic	250	49	3,242	229	3,492	278
Beaufort Sea	94	13	2,108	161	2,202	174
Yukon			1,620	648	1,620	648
Northwest Territories	71	17	133	27	204	44
Offshore east coast	54	4	1,200	204	1,254	208
Total Canada	6,694	2,313	8,728	1,526	15,422	3,839
International						
United States	992	235			992	235
Australia			5,065	527	5,065	527
Total International	992	235	5,065	527	6,057	762
Total	7,686	2,548	13,793	2,053	21,479	4,601

In addition to the above, royalty interests are held in 1.9 million gross acres and net carried interests in 190,000 gross (12,000 net) acres.

1983 Drilling statistics

	Oil		Gas		Dry		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Western Canada								
Exploration								
Conventional	42	15.7	31	10.5	71	36.4	144	62.6
Heavy Oil	14	7.4	2	0.9	18	9.5	34	17.8
Subtotal	56	23.1	33	11.4	89	45.9	178	80.4
Development								
Conventional	61	25.1	12	8.7	6	3.7	79	37.5
Heavy Oil	22	9.9	1	0.5	3	2.0	26	12.4
Subtotal	83	35.0	13	9.2	9	5.7	105	49.9
Total western Canada	139	58.1	46	20.6	98	51.6	283	130.3
Canadian frontier			1	0.1	3	0.6	4	0.7
Total Canada	139	58.1	47	20.7	101	52.2	287	131.0
International								
United States	14	3.5	5	1.5	20	6.9	39	11.9
Australia	1	0.1					1	0.1
Total International	15	3.6	5	1.5	20	6.9	40	12.0
Total	154	61.7	52	22.2	121	59.1	327	143.0

Liquid hydrocarbons production

(barrels per day before royalties)	1983	1982
Alberta		
West Pembina	**5,786**	4,364
Pembina	**2,656**	2,743
Countess-Lathom	**2,361**	2,216
Harmattan	**1,401**	1,290
Lloydminster	**1,212**	1,187
Golden	**1,208**	1,046
Provost-Bodo	**1,043**	974
Joarcam	**730**	597
Evi	**560**	445
Bigoray	**543**	614
Swan Hills	**476**	546
Drumheller	**372**	359
Others	**5,723**	5,414
Synthetic crude	**2,961**	2,148
	27,032	23,943
Saskatchewan		
Tatagwa-Colgate	**569**	28
Weyburn	**358**	377
Royalty interest	**483**	421
Others	**795**	602
	2,205	1,428
British Columbia		
Eagle	**1,195**	1,175
Peejay	**213**	221
Others	**235**	229
	1,643	1,625
Total	**30,880**	26,996

Natural gas production

(millions of cubic feet per day before royalties)	1983	1982
Alberta		
Harmattan	**13.3**	17.1
Minnehik-Buck Lake	**12.2**	16.0
Westlock	**9.7**	12.2
Boyer	**6.5**	4.5
Crossfield	**5.6**	7.1
Cherhill (Majeau Lake)	**5.6**	
Ghost Pine	**3.1**	3.8
Verger	**3.0**	4.9
Bruce	**2.4**	2.5
Big Bend	**1.9**	2.9
Bindloss	**1.9**	2.9
Others	**47.4**	54.7
	112.6	128.6
British Columbia		
Jedney-Bubbles-East Laprise	**3.4**	5.1
Others	**3.3**	4.1
	6.7	9.2
Total	**119.3**	137.8

include Norcen's share of reserves of crude oil and natural gas in the Arctic, the Beaufort Sea, Australia, and oil sands reserves at Cold Lake, Alberta.

Other activities

LPG marketing

Cigas Products Ltd., a wholly-owned subsidiary, is the second largest marketer of propane and butane in western Canada. In 1983, sales were 60 million gallons compared with 65 million gallons in 1982. Income during the year was unchanged from the high level reached in 1982.

Cigas has increased its sales of propane as a motor fuel. Seventeen self-serve key or card lock outlets were constructed during the year to help serve this fast growing segment of the retail propane industry.

Industrial gas system

Average daily throughput of the industrial gas system was 46 million cubic feet per day in 1983, unchanged from the year before. The average price paid by industrial customers increased to $1.12 per thousand cubic feet compared with $0.81 for the previous year.

An engineering, design and construction contract was awarded for a gas liquids extraction facility at Fort Saskatchewan, near Edmonton, Alberta. The plant has been designed to recover 1,500 barrels per day of natural gas liquids from gas in the industrial gas system. The plant is scheduled for completion in late 1984.

Oil transmission systems

An average of 81,200 barrels per day was transported through the Company's oil gathering and transmission systems in 1983, compared with 77,100 barrels per day in 1982.

A seven-mile pipeline extension to Norcen's Saskatchewan transmission system was constructed in late 1983 to tie in production from the Tatagwa and Colgate fields.

The new Mineral resources division underscores our commitment to diversify, expand and strengthen Norcen's financial performance.

120-ton trucks transport iron ore from the open pit mines at Iron Ore Company of Canada's operations at Labrador City, Newfoundland.

Mineral resources

Formation of the Mineral resources division comprising iron ore, gold, coal and other mining investments

Acquisition of Labrador Mining and Exploration Company completed in July, 1983

Iron Ore Company of Canada's cost reduction and quality control programs achieve readiness for market recovery

Prospects for The Hanna Mining Company improve

In mid-1983, Norcen acquired substantially all of the natural resource and mining assets of Labrador Mining and Exploration Company Limited, and Hollinger Argus Limited. As a result, Labrador Mining is now a wholly-owned subsidiary of Norcen and the key component in the Mineral resources division.

The division's principal sources of revenue are a royalty interest on iron ore produced by Iron Ore Company of Canada (IOC), dividends from a 10.47 percent equity interest in IOC, and royalties on gold ore mined and milled by Pamour Porcupine Mines Limited. The mineral resource acquisition constitutes a major diversification in business activity, location and markets.

Iron ore

IOC is one of the largest and most efficient iron ore mining and milling complexes in the world. Its deposits are well-defined and will last for decades providing Norcen with a stable source of long term royalty income.

The world steel industry recovered somewhat during 1983 from the reduced production levels of 1982. Although the industry made the reduction of ore inventories a priority, IOC was successful in maintaining its ore production, cash flow and financial stability.

In 1983, IOC mined 26.9 million tonnes of crude ore at Labrador City, and shipped 6.3 million tonnes of pellets, 5.6 million tonnes of concentrate and 1.2 million tonnes of direct shipping ore to steel customers in North America, Europe and Asia.

During 1983, IOC embarked on a comprehensive program to reduce costs and improve product quality. Both lower production costs and a strengthening steel industry should provide a secure and healthy future.

Gold mining

Norcen receives a royalty on ore mined from two gold properties in the Timmins district of Ontario. Royalty income for 1983 increased considerably over 1982 due to the higher price of gold and the reinstatement of the original royalty formula.

A train loaded with iron ore concentrate is headed for Sept-Iles, Quebec, for shipping to international markets.

Exploration
In 1983, exploration programs were carried out in Newfoundland, British Columbia, Ontario and Nevada. Expenditures during the year were $2.2 million compared with $2.1 million in 1982.

Hanna
The Hanna Mining Company, in which Norcen holds a 20 percent equity interest, ended 1983 with prospects considerably improved over 1982. Cost-cutting measures at its metal mining operations, especially at IOC (26.8 percent-owned and managed by Hanna) helped to reverse the major losses and write-downs of the previous year. The continuation of the U.S. economic recovery should have a favourable impact in 1984.

The strong performance of Hanna's coal companies in the western U.S. was offset by weak demand and low prices affecting its eastern mines.

Hanna's oil service companies were severely affected by the low level of U.S. drilling activity in 1983. Their recovery is contingent on an increase in drilling that would accompany higher oil prices and improved markets for new gas.

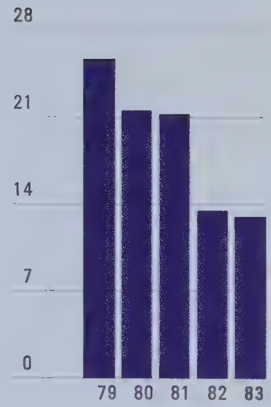
In order to divest itself of a minority interest in Alcoa Aluminio, over which it has little operating control, Hanna agreed in January, 1984 to sell its shares for approximately U.S. $55 million subject to certain conditions. The sale will generate cash for Hanna's other business opportunities.

Coal
The Obed-Marsh thermal coal project near Hinton, Alberta, is expected to commence deliveries of coal in the fourth quarter of 1984. Markets in Denmark and Japan will receive the initial deliveries from the project in which Norcen will hold approximately a seven percent participating interest.

After more than 75 years of coal mining, Coleman Collieries, in response to the soft world demand for thermal coal, re-negotiated its contract with Nihon Cement Co., Ltd., of Japan, and suspended deliveries in December, 1983. Total sales for the year were 226,530 long tons.

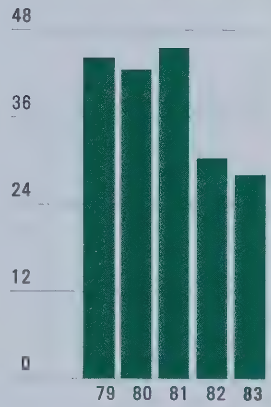
Iron ore sales by IOC
(millions of tonnes)

The world economic recession continued to affect iron ore sales



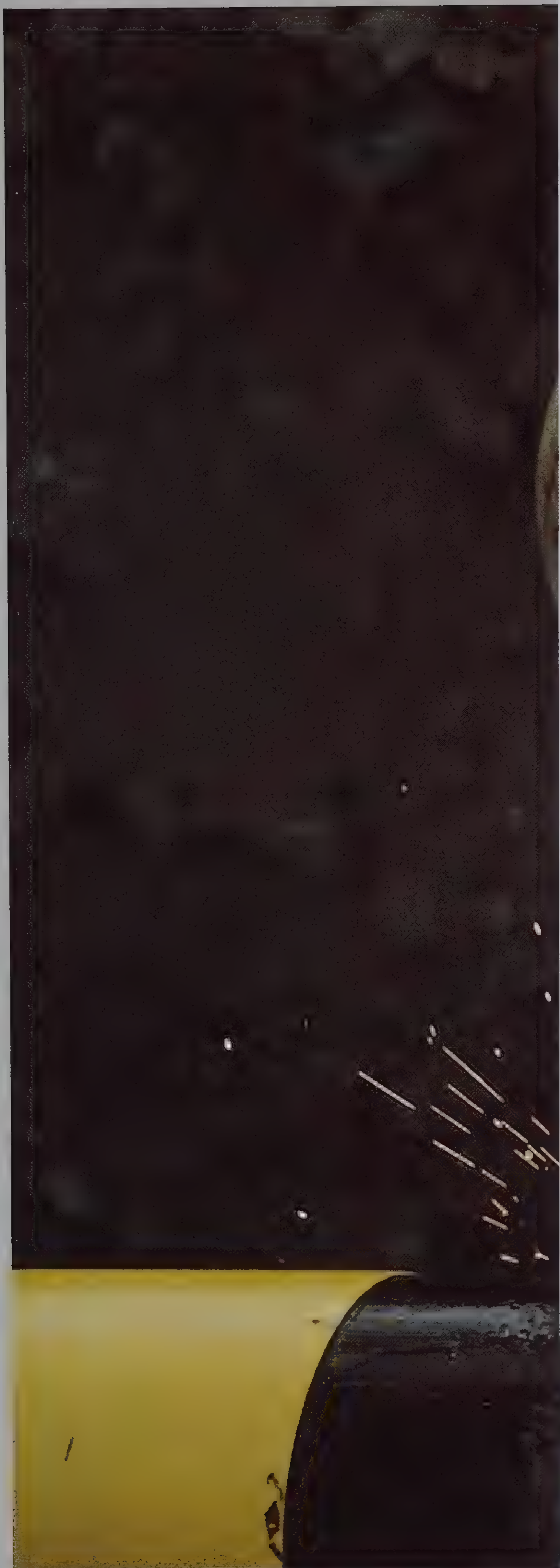
Iron ore royalties
(millions of dollars)

The drop in sales reduced Labrador Mining's royalty income



A rate regulation decision based on a future test year and a higher return on equity, signal an improved utility environment in Ontario.

Laying new pipe in Picton, Ontario. One of the many projects, assisted by the Distribution System Expansion Program, undertaken in 1983 by Northern and Central Gas to connect additional customers.



Gas utilities

Operating income rose in 1983 to $68.7 million compared with $57.4 million in 1982

11,700 new customers were added

Capital expenditures in 1983 increased to $45.1 million compared with $30.7 million in 1982

A $50 million issue of 13¼% senior debentures due 2003-2008 was made

Ontario

Gas sales volumes declined slightly to 106.0 billion cubic feet from 106.9 billion cubic feet in 1982, reflecting the continuing economic recession in the utility's franchise areas. Volumes of gas sold to residential and commercial customers remained unchanged from 1982, as the growth in the number of customers was offset by weather which was four percent warmer than the year before. 7,900 customers were attached in 1983 compared with 6,700 in 1982. Sales to industrial customers remained approximately the same as in 1982.

Manitoba

Sales volumes declined to 44.4 billion cubic feet from 48.4 billion cubic feet in 1982. Residential and commercial sales volumes were 3.5 billion cubic feet less than last year due to warmer weather being only partially offset by the growth in number of customers. 3,800 customers were attached in 1983 compared with 2,900 in 1982. Industrial sales volumes declined by 0.5 billion cubic feet reflecting the continuing economic recession.

In 1983, Greater Winnipeg Gas celebrated its 100th anniversary of gas service to the city of Winnipeg with a flame lighting ceremony attended by Lieutenant-Governor, Pearl McGonigal, and other provincial and city officials.

Regulation

For the first time, the Ontario Energy Board (OEB) allowed Northern and Central Gas to have rates based on a *future* test year in effect for the full year. The decision, announced on December 30, 1983, provided for a rate increase effective January 1, 1984 of $7.8 million annually, based on a 1984 test year. The revenue deficiency included a 12.98 percent return on rate base and a 15.75 percent return on common equity.

Effective March 8, 1983, the OEB granted Northern and Central Gas increased rates, based on a 1983 test year, which included a 12.65 percent return on rate base and a 16 percent return on common equity. On the recommendation of the Ontario Inflation Restraint Board, the government of Ontario

NCgas inspector, Steve Wall, checks the plotting for the new town border station at Picton, Ontario.

subsequently reduced the allowed return on common equity to 15.85 percent, which resulted in an overall allowed return on rate base of 12.59 percent.

In June, 1983, Greater Winnipeg Gas was granted an increase in rates effective July 1, 1983 which allowed the company to recover a revenue deficiency based on a 1982 test year. The Public Utilities Board of Manitoba granted a 12.64 percent return on rate base of $ 101.6 million, which included a 14.25 percent return on common equity.

Gas cost changes were approved in Ontario and Manitoba for the February 1, 1983 increase of approximately six cents per thousand cubic feet and the August 1, 1983 decrease of approximately three cents per thousand cubic feet.

Capital expenditures

In 1983, the federal government made substantially more funds available under the Distribution System Expansion Program, mainly for expansion into new communities, and continued the grants available to homeowners under the Canada Oil Substitution Program. To expand its more stable residential and commercial customer base, Northern and Central Gas aggressively pursued, and was successful in obtaining, grants amounting to $8.8 million in 1983 for expansion projects which would not have been feasible otherwise.

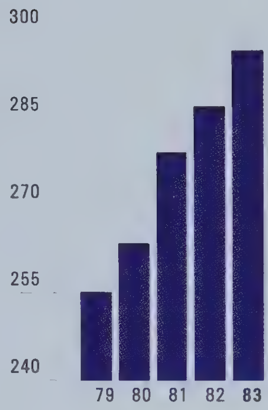
In 1983, capital expenditures increased to $37.0 million in Ontario and $8.1 million in Manitoba, from $24.8 million and $5.9 million, respectively, in 1982. Capital expenditures for 1984 are expected to be $35.0 million for Ontario and $ 12.0 million for Manitoba.

Financing

Northern and Central Gas issued $30 million principal amount of 13½% senior debentures due November 14, 2003, and $20 million principal amount of 13½% senior debentures due November 14, 2008. Net proceeds were used to finance the capital expenditure program in Ontario and Manitoba.

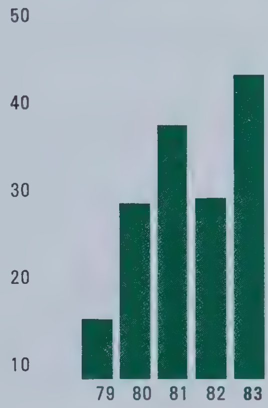
Number of customers
(thousands)

Conversions from other fuels and additional market penetration further increased the number of customers



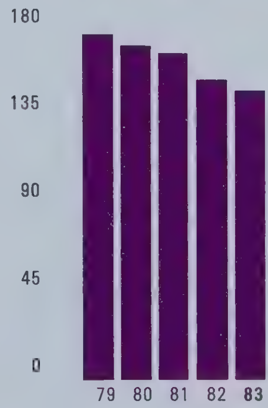
Capital expenditures
(millions of dollars)

The increase in the number of customers resulted in further rate base growth



Gas sales
(billions of cubic feet)

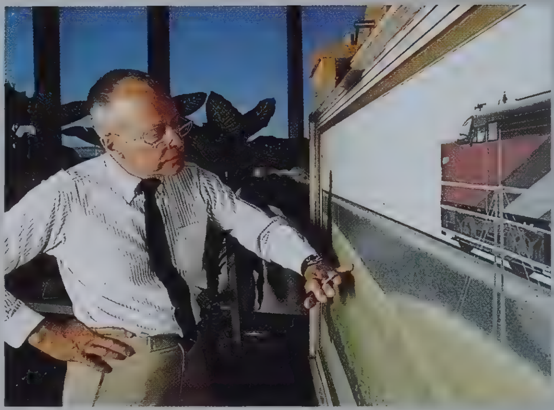
Sales growth from additional customers was more than offset by the economic recession and warm weather



Social responsibility

Norcen believes that its most important contribution to Canada, its shareholders, and the communities in which it operates, is the creation and enhancement of economic opportunity through the development of Canada's resource base. Our record of success has allowed us to maintain capital spending programs and continue to offer employees a large measure of job security, despite the general downturn in activity and employment levels which has afflicted industry.

In 1984, Norcen and its subsidiaries plan to invest $318 million across seven provinces, benefiting hundreds of supplier companies and their employees in all regions of Canada. The Company will employ about 2,200 people through 1984 — a payroll of $69 million.



Human resources

Norcen's record of growth has been possible only through the dedication of its employees. During 1983, their active support for cost control programs increased productivity and contributed to the Company's performance.

Norcen's human resources programs and policies emphasize promotions from within, support for job-related continuing education, in-house training programs, and equality of opportunity.

Community support

Through our Corporate Contributions Program, Norcen focuses on community needs including health, welfare, education and culture.

During 1983, the Company assisted voluntary, non-profit organizations at the local, provincial and national levels. It also funded scholarships, equipment acquisitions and library collections, for faculties of fine arts, engineering and medicine, at seven Canadian universities.

In addition, funding was provided for equipment and research at five major hospitals and towards the operation of many community-based organizations concerned with health and social welfare.

To fulfill its long-standing commitment to the support of Canadian culture, Norcen purchases the works of living Canadian artists and contributes to organizations in support of the arts.

Earnings of $81.9 million in 1983 were second only to a record $85.9 million in 1980, established prior to the introduction of the National Energy Program ("NEP"). This recovery in earnings is due to increased production and productivity; profitability of Canadian operations continues to be constrained by NEP-related taxation.

Revenues and expenses

All divisions contributed to a record level of revenues in 1983. Oil and gas increased mainly due to record levels of liquids volumes partially offset by declines in natural gas volumes for the second consecutive year. Unit selling prices tended to stabilize during 1983 as the gap between world prices and average Canadian prices narrowed. This was in marked contrast to 1982 when unit selling prices had been the prime contributor to revenue gains. Mineral resources revenues grew nearly fourfold in 1983 due to the inclusion of Labrador Mining from the acquisition in late July. Gas utilities' revenue growth is attributable to a pass-on of cost of gas increases which were $52.0 million in 1983, $106.3 million in 1982 and $91.7 million in 1981.

Notwithstanding higher sales revenues, production and operating costs increased only 7.3% in 1983 compared to 16.5% in 1982. This slower growth reflected a significant decline in the impact of inflation due to broadly based restraint in the economy as well as a concentrated effort to control costs and increase productivity. Depreciation and depletion continued to increase largely due to higher revenues and the higher costs of replacing reserves.

After an increase in interest expense of $25.8 million in 1982, a further increase of $6.2 million was incurred in 1983. There was, however, a significant change in composition as long term interest increased $21.4 million in 1983 compared to an $8.4 million increase in 1982 while short term interest dropped $15.2 million in 1983 compared to a $17.4 million increase in 1982. This resulted from both refinancing variable rate short term debt with issues of fixed rate long term debt, the mineral resource acquisition, and collection in late 1982 and early 1983 of Petroleum Incentive Payments from the beginning of 1981. Collection had been delayed pending passage of NEP legislation.

Income taxes continued to increase when expressed as a percentage of pre-tax reported income. Moreover, of the increases in income taxes of $30.4 million in 1983 and $13.4 million in 1982, $27.9 million in 1983 and $3.8 million in 1982 are income taxes currently payable. This is mainly due to the fiscal regime introduced by the NEP which has resulted in a continuing increase in non-deductible production revenue taxes, the phase-out of tax depletion and erosion of depletion banks built up in earlier years.

The NEP instituted a system of grants to stimulate exploration activities. While Norcen has been a prime beneficiary of the system, having earned petroleum incentive payments totalling $216 million from the beginning of 1981 to the end of 1983, NEP incremental taxes and other levies have amounted to $395.2 million over the same period. Under the current fiscal regime nearly 70 cents of each incremental oil and gas revenue dollar after operating costs flows to governments.

Financing activities

Norcen was particularly active in the capital markets in 1983. Management's discussion of activities in this area is incorporated in the Report to shareholders on page 4 of this report.

Capital and other spending

Total assets exceeded $2 billion for the first time at the end of 1983, up $399.6 million. A principal addition was the mineral resource acquisition in mid-year totalling $327.8 million. Capital expenditures of $216.1 million in 1983 in the oil and gas division, before proceeds of disposition of the Company's North Sea oil and gas interests for approximately $25.8 million, remained nearly constant with 1982 and earned a like amount of incentive grants.

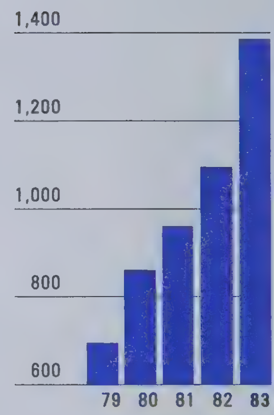
In 1981 and 1982 Norcen spent $ 152.5 million to acquire its 20% holding of Hanna and its 20% holding of Labrador Mining. The latter holding was sold in 1983.

Changing prices

Supplementary disclosure of the effects of changing prices has been recommended by the Canadian Institute of Chartered Accountants ("CICA") on an experimental basis. Application of the recommendations would have a marginal effect upon the results of the mineral resources and utilities divisions inasmuch as the former division was mainly acquired in 1983 at current value and in the latter division permitted rates of return and revenues are determined by regulatory authorities by reference to historic costs only. There is no realistic method of determining the current costs of the assets of the oil and gas division and the CICA recommendations in respect of revenues and taxation are unrealistic so that the result of calculation of the effects of changing prices is distorted and misleading. Accordingly, the Company has concluded that to participate publicly in the CICA experiment at this time would result in unfair presentation of the effects of changing prices.

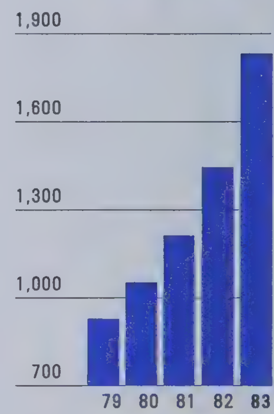
Properties, plant and equipment
(millions of dollars)

Continued internal growth and the mineral resource acquisitions increased gross assets to a total of more than $2 billion



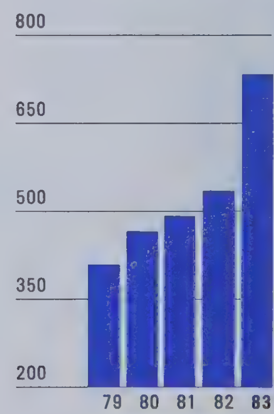
Total capitalization
(millions of dollars)

There was a corresponding increase in total capitalization



Shareholders' equity
(millions of dollars)

Growth in equity from retained earnings was augmented by a new issue of convertible preference shares late in 1983



Accounting policies

The Annual Report and the accompanying consolidated financial statements have been prepared by Management and approved by the Board of Directors. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and comply with United States disclosure requirements in all material respects. The principles used were those judged by Management to be the most appropriate in the circumstances. Management acknowledges responsibility for the fairness, integrity and objectivity of all financial information contained in the Annual Report including the consolidated financial statements.

Basis of presentation

The consolidated financial statements include the accounts of Norcen and all of its subsidiaries except as disclosed in Note 3. The companies' operations are organized into three classes of business namely, oil and gas, mineral resources and gas utilities.

Amounts in foreign currency have been translated to Canadian dollars on the following bases: current assets and current liabilities, at the rate of exchange as at the balance sheet date; investments, at the rate of exchange at the date of acquisition; properties, plant and equipment and related depreciation and depletion, at the rate of exchange at the date of acquisition; long term debt, at the rate of exchange at the date the obligation was incurred; sales and other revenues and costs and expenses, at the average rate of exchange for the respective year. Gains and losses on currency translations are included in income.

Inventories

Gas in storage is carried at cost which includes transportation and storage. Supplies are carried at the lowest of historic cost, replacement cost and net realizable value.

Properties, plant and equipment

Oil and Gas

Oil and gas properties, in accordance with the full cost method of accounting, include all expenditures related to the acquisition, exploration and development of oil and gas reserves, whether or not potentially productive. These costs are depleted on the production revenue method based on total estimated future production revenues from proven recoverable reserves. Proceeds on sale of non-producing properties are credited to asset costs.

Oil and gas production equipment and related facilities are depreciated over their estimated useful service life on the straight-line method at various rates, the application of which is equivalent to a composite rate of approximately 7.77% in 1983, (7.29% in 1982, 6.68% in 1981).

Mineral resources

Mineral resource properties are carried at cost. Exploration costs are written off in the year incurred. When a property is determined to be economic, all subsequent costs are deferred and amortized against related production.

Gas utilities

Properties, plant and equipment are carried at cost. Depreciation is provided on the straight-line method at rates approved by regulatory authorities. The application of such rates is equivalent to a composite rate of approximately 3.27% in 1983, (3.19% in 1982, 3.03% in 1981).

The original cost of property retired is removed from plant accounts and charged to accumulated depreciation, which is credited with the salvage proceeds less removal cost. Under this method, no profit or loss is recognized on ordinary retirements of depreciable property.

Deferred gas revenues

Deferred gas production revenue represents payments received under take-or-pay gas contracts. These amounts will be included in revenue when the gas to which the payments relate is delivered at the purchaser's option. Deliveries are to be made over a ten year period commencing November 1, 1984.

Pension plans

The companies have several pension plans covering most employees. Current costs are provided for, and funded, based upon actuarial estimates. There are no material unfunded liabilities for past service pension benefits.

Sales and other revenues

Oil and gas revenues are net of the petroleum and gas revenue tax and the incremental oil revenue tax. These production revenue taxes total $52,046,000 in 1983 ($44,387,000 in 1982, $18,126,000 in 1981). Mineral resource revenues are net of Newfoundland royalty tax of $5,350,000.

Regulation

Gas utilities rates and revenues are established following public hearings before the respective provincial and federal regulatory authorities. From time to time the authorities grant provisional rate increases which may be subject to refund to customers depending upon the decision of the authorities following a full public hearing.

Income taxes

Oil and Gas and Mineral resources

The companies follow the tax allocation method of accounting whereby provisions for income taxes are based on the income reported in the accounts. This method results in the provision of deferred income taxes to the extent that taxes currently payable have been reduced by claiming depletion and depreciation for income tax purposes in amounts differing from those reported in the accounts.

Gas utilities

The companies' rates and revenues, established for regulatory purposes, include recovery of only such income taxes as are currently payable. Accordingly, the companies provide for income taxes on this basis and do not provide for income taxes which may be payable in future years as a result of current differences in timing of deductions, principally in respect of depreciation and amortization, for financial reporting and income tax purposes. Such income taxes not provided and not recovered in revenues, before applicable minority interests, are set forth in Note 9.

Earnings per ordinary share

Effective November 4, 1983, each common share was changed into one voting ordinary share and one non-voting ordinary share (Note 8(a)). This change has been applied retroactively to provide comparability of the consolidated financial statements.

Earnings per ordinary share have been calculated using the weighted monthly average number of ordinary shares outstanding during the year (54,683,000 in 1983, 53,242,000 in 1982, 53,386,000 in 1981). Fully diluted earnings per ordinary share assumes the exercise of all rights to acquire ordinary shares which have a dilutive effect.

Years ended December 31, 1983, 1982 and 1981 (thousands of dollars)

Consolidated statement of income

	1983	1982	1981
Sales and other revenues			
Oil and Gas	**$ 388,925**	$ 332,789	$244,337
Mineral resources	**20,039**	5,290	2,673
Gas utilities	**723,878**	675,108	586,747
	1,132,842	1,013,187	833,757
Costs and expenses			
Gas purchases	**643,207**	596,176	518,179
Production, operations and administration	**152,890**	142,513	122,380
Depreciation and depletion	**73,646**	55,600	43,136
Interest on long term debt	**71,456**	50,019	41,620
Other financial expense	**19,936**	35,170	17,769
Income taxes (Note 9)	**85,530**	55,104	41,739
Minority interests in subsidiaries	**4,263**	4,309	3,404
	1,050,928	938,891	788,227
Income before extraordinary item	**81,914**	74,296	45,530
Extraordinary item (Note3(b))			8,048
Net income	**$ 81,914**	$ 74,296	$ 53,578
Dividends on preference shares	**$ 2,218**	$ 2,146	$ 2,332
Income applicable to ordinary shares			
Before extraordinary item	**$ 79,696**	$ 72,150	$ 43,198
Including extraordinary item	**$ 79,696**	$ 72,150	$ 51,246
Earnings per ordinary share			
Before extraordinary item			
Basic	**$ 1.46**	$ 1.36	$ 0.81
Fully diluted	**$ 1.44**	$ 1.33	$ 0.80
Including extraordinary item			
Basic	**$ 1.46**	$ 1.36	$ 0.96
Fully diluted	**$ 1.44**	$ 1.33	$ 0.95

As at December 31,
1983 and 1982
(thousands of dollars)

Consolidated balance sheet

	1983	1982
Assets		
Current assets		
Cash and deposits	**$ 14,710**	$ 834
Accounts receivable and unbilled gas	**262,471**	230,719
Inventory of gas in storage and supplies	**30,262**	30,281
Total current assets	**307,443**	261,834
Investments (Note 3)	**409,776**	345,191
Properties, plant and equipment (Note 4)	**1,386,412**	1,097,899
Other assets	**25,592**	24,703
	$2,129,223	$1,729,627
Liabilities		
Current liabilities		
Accounts payable and accrued charges	**$ 177,936**	$ 188,112
Income and other taxes	**48,179**	16,745
Current maturities on long term debt	**20,154**	40,787
Current liabilities, excluding demand bank credits	**246,269**	245,644
Demand bank credits (Note 5)	**98,079**	181,368
Total current liabilities	**344,348**	427,012
Long term debt (Note 6)	**726,812**	500,304
Deferred gas revenues	**46,061**	40,464
Total liabilities	**1,117,221**	967,780
Deferred income taxes	**227,899**	181,598
Minority interests in subsidiaries (Note 7)	**46,304**	44,306
Shareholders' equity		
Capital stock (Note 8(a))		
Issued		
First preference shares		
910 $1.06 cumulative redeemable series A (1,435 in 1982)	**23**	36
68,188 $1.50 cumulative redeemable series B (82,224 in 1982)	**1,705**	2,056
Junior preference shares		
$2.88 cumulative convertible redeemable 1979 series (655,881 in 1982)	**-**	32,138
85,817 non-cumulative convertible redeemable 1981 series (94,428 in 1982)	**4,291**	4,712
6,000,000 7¾% cumulative convertible redeemable 1983 series	**147,180**	
Ordinary shares		
28,012,335 voting (26,737,451 in 1982)	**136,380**	119,064
28,040,302 non-voting (26,737,451 in 1982)	**136,835**	119,063
Retained earnings (Note 8(b))	**311,385**	258,874
Total shareholders' equity	**737,799**	535,943
	$2,129,223	$1,729,627

Years ended December 31, 1983, 1982 and 1981 (thousands of dollars)

Consolidated statement of retained earnings

	1983	1982	1981
Balance at beginning of year	**$258,874**	$214,167	$195,703
Net income	**81,914**	74,296	53,578
	340,788	288,463	249,281
Dividends			
First preference shares			
series A	**1**	2	2
series B	**116**	144	200
Junior preference shares			
1979 series	**1,132**	2,000	2,130
1983 series	**969**		
Ordinary shares			
voting	**13,583**	13,303	13,356
non-voting	**13,583**	13,302	13,356
Cost of shares purchased for cancellation in excess of average issue price	**19**	838	6,070
	29,403	29,589	35,114
Balance at end of year	**$311,385**	$258,874	$214,167

Approved by the Board:

Director

Director

Auditors' report
To the shareholders of Norcen Energy Resources Limited

We have examined the consolidated balance sheet of Norcen Energy Resources Limited as at December 31, 1983 and 1982 and the consolidated statements of income, retained earnings and changes in financial position for each of the years in the three year period ended December 31, 1983. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1983 and 1982 and the results of its operations and the changes in its financial position for each of the years in the three year period ended December 31, 1983 in accordance with generally accepted accounting principles applied on a consistent basis.

Thorne Riddell

Chartered Accountants

Toronto, Canada
February 1, 1984

Years ended December 31, 1983, 1982 and 1981 (thousands of dollars)

Consolidated statement of changes in financial position

	1983	1982	1981
Source of funds			
Income before extraordinary item	**$ 81,914**	$ 74,296	$ 45,530
Items not requiring an outlay of funds			
Minority interests in subsidiaries	**4,263**	4,309	3,404
Deferred income taxes	**42,776**	40,297	30,687
Depreciation and depletion including amounts charged to other expense accounts	**74,640**	56,570	44,191
Amortization of finance expense and other deferred charges	**1,249**	1,152	1,644
Earnings of unconsolidated companies in excess of dividends received	**(1,745)**	(688)	(2,673)
From operations	**203,097**	175,936	122,783
Deferred gas revenues	**5,597**	20,006	4,905
Increase in demand bank credits, net		7,936	87,528
Increase in long term debt	**165,000**	181,920	55,016
Issue of preference and ordinary shares	**150,306**	2,793	8,532
Investments	**48,693**		
Provision for costs of discontinued operations			8,048
	572,693	388,591	286,812
Application of funds			
Expenditures on properties, plant and equipment	**235,856**	276,152	188,119
Petroleum incentive payments earned	**(84,229)**	(83,758)	(48,044)
Acquisition of Labrador Mining and Exploration Company Limited and the mineral resource assets of Hollinger Argus Limited excluding working capital of $8,025,000	**316,244**		
Term and demand bank credits	**(315,046)**		
Reduction in demand bank credits, net	**98,335**		
Retirement of long term debt	**238,492**	45,688	32,935
Dividends	**32,009**	31,480	31,889
Investments		112,398	44,044
Redemption of preference shares	**961**	676	1,192
Purchase of ordinary shares		1,290	9,060
Other	**5,087**	6,739	6,632
	527,709	390,665	265,827
Increase (decrease) in funds	**$ 44,984**	$ (2,074)	$ 20,985
Changes in components of funds are represented by:			
Cash and deposits	**$ 13,876**	$ 834	$ (5,510)
Accounts receivable and unbilled gas	**31,752**	53,036	52,019
Inventory of gas in storage and supplies	**(19)**	1,385	6,455
Bank indebtedness		6,319	(6,319)
Accounts payable and accrued charges	**10,176**	(41,399)	(17,293)
Income and other taxes	**(31,434)**	(8,236)	(131)
Current maturities on long term debt	**20,633**	(14,013)	(8,236)
Increase (decrease) in funds	**$ 44,984**	$ (2,074)	$ 20,985

(Tabular amounts are
in thousands of dollars)

Notes to consolidated financial statements

Note 1
Accounting policies
The information on pages 29 and 30 presents a summary of the principal accounting policies and is an integral part of these consolidated financial statements.

Note 2
Acquisition
On July 28, 1983 Norcen acquired, through a series of transactions, substantially all of the natural resource and related assets of Hollinger Argus Limited ("Hollinger Argus") and Labrador Mining and Exploration Company Limited ("Labrador Mining") except its 36% interest in Norcen which was, in effect, transferred to a newly incorporated company, Labmin Resources Limited ("Labmin"). Prior to the acquisition by Norcen, all of the shareholders of Labrador Mining exchanged their common shares for an equal number of common shares of Labmin.

The principal assets acquired by Norcen were a 10.47% common share interest in Iron Ore Company of Canada ("IOC"), a royalty interest in lands being mined by IOC, 60% of the common shares of Hollinger North Shore Exploration Inc. ("Hollinger North Shore"), a gold mining royalty and a note payable by Brascan Limited. The consideration paid by Norcen was cash of $9,223,000 and the assumption of debt of Labrador Mining of $315,046,000. The purchase consideration was assigned as follows:

Working capital	$ 8,025
Investments	118,966
Mineral resource properties	194,062
Other assets	6,741
	327,794
Deduct deferred income taxes	3,525
Purchase consideration	$324,269

On consolidation, the earnings of Labrador Mining and Hollinger North Shore have been fully consolidated from July 28, 1983.

In August 1983, Norcen sold its 800,000 common shares of Labmin for U.S. $38.55 per share to Hollinger Argus in response to a tender offer to all shareholders of Labmin. At December 31, 1983 Hollinger Argus owns approximately 85.4% of the common shares of Labmin which owns approximately 34.4% of the ordinary shares of Norcen.

Note 3
Investments

	1983	1982
(a) At equity:		
Coleman Collieries Limited ("**Coleman**") (Note 3(b)) Shares	$ **5,055**	$ 3,346
Hollinger North Shore (Note 2) Shares		3,879
At cost:		
Gaz Métropolitain, inc. ("**GMi**") (Note 3(c)) Shares		
common	**78,874**	78,874
preference	**19,131**	19,931
Debt (i)	**65,918**	70,833
The Hanna Mining Company ("**Hanna**") (quoted market 1983 – $52,380,000; 1982 – $45,562,000) (Note 3(d)) Shares	**112,736**	112,736
Labrador Mining (quoted market $38,800,000 in 1982) (Note 2) Shares		39,722
Iron Ore Company of Canada Shares	**53,310**	
Brascan Limited Note	**61,786**	
Long term notes receivable	**4,754**	8,552
Other investments	**8,212**	7,318
	$409,776	$345,191

(i) Excludes current maturities of $5,427,000 in 1983 ($5,401,000 in 1982) and other current accounts which are included in accounts receivable.

(b) Coleman
In accordance with a decision made in 1977 Coleman, 74% owned, ceased mining operations in 1980 on the termination of its metallurgical coal sales contracts. All costs anticipated to be incurred on the discontinuance of Coleman's operations, together with Norcen's investment, were charged as an extraordinary item in the 1977 consolidated statement of income at which time Norcen ceased consolidation of the accounts of Coleman. Included in this charge was $8,048,000 being Norcen's estimate of costs to be incurred by it on closure. In 1981 Norcen determined that this provision was no longer required and accordingly it was reversed and taken into income as an extraordinary gain.

(Tabular amounts are
in thousands of dollars)

In 1981 Coleman signed an agreement for the delivery of thermal coal which was supplied by the rewashing of coal refuse. The contract expires in 1987 but no quantities are committed beyond 1983. Accordingly, Coleman ceased operations at the end of 1983. Effective January 1, 1981 Norcen has accounted for its investment in Coleman using the equity method.

(c) GMi
In July 1980 and March 1981, Northern and Central Gas Corporation Limited ("N&C") issued exchangeable subordinated debentures, exchangeable into N&C's holding of 10,127,049 GMi common shares (35% interest at December 31, 1983). Both issues confer upon the holders the right to vote the shares subject to exchange during the terms of the issues and prior to exercising the exchange right. As a result N&C no longer has a voting interest in GMi. Norcen commenced, effective January 1981, to account for its investment in GMi by the cost method.

The first issue of $26 million principal amount of 12% exchangeable subordinated debentures due in 2000 is exchangeable until 1990 by the holders into 3.25 million common shares of GMi. The second issue of $55,016,000 of 13% exchangeable subordinated debentures redeemable in 1988 is exchangeable at any time during the period into 6,877,049 common shares of GMi; N&C has the option to pay the redemption price in cash or by tendering the common shares of GMi subject to the exchange right.

(d) Hanna
On July 7, 1982, Norcen entered into an agreement with Hanna whereby Norcen increased its common share interest in Hanna from 8.8% to 20% through the purchase of Hanna treasury shares and agreed, subject to certain exceptions, not to increase its interest for an eight year period. These exceptions include rights of Norcen to acquire an additional 0.5% of the outstanding Hanna shares for each of the last six years of the agreement; to maintain its permitted percentage ownership; and to respond to other offers for Hanna shares under stated conditions. Norcen also purchased from Hanna a 40% interest in Hollinger North Shore and a 20% interest in Labrador Mining.

Note 4
Properties, plant and equipment

	Oil and Gas	Mineral resources	Gas utilities	Total
December 31, 1983				
Cost	**$1,173,186**	**$247,986**	**$438,442**	**$1,859,614**
Accumulated depreciation and depletion	**361,853**	**11,173**	**100,176**	**473,202**
Net	**$ 811,333**	**$236,813**	**$338,266**	**$1,386,412**
December 31, 1982				
Cost	$1,071,162	$ 27,721	$396,144	$1,495,027
Accumulated depreciation and depletion	307,321		89,807	397,128
Net	$ 763,841	$ 27,721	$306,337	$1,097,899

Note 5
Demand bank credits
Norcen and its consolidated subsidiaries have the following obligations under established bank lines of credit of $230,000,000 at December 31, 1983 ($325,500,000 at December 31, 1982):

	Average % rate of interest at December 31		December 31	
	1983	1982	**1983**	1982
Commercial paper (i)	**10.1**	11.2	**$ 79,737**	$109,042
Bankers' acceptances (i)	**10.1**	11.0	**15,000**	35,000
Bank loans — unsecured	**11.2**	12.4	**3,342**	37,326
			$ 98,079	$181,368
Unused lines of credit at December 31			**$131,921**	$144,132

(i) Of total lines of credit, up to $210,000,000 is available to support commercial paper and bankers' acceptance financing.

While demand bank credits are by their terms due within one year and therefore classified as current liabilities, the companies have in the past retired, and anticipate in the future retiring, such obligations through the issue of long term capital, subject to market conditions.

(Tabular amounts are in thousands of dollars)

Note 6

Long term debt

	1983	1982
Oil and Gas and Mineral resources		
9¾% – 11¼% secured debentures, 1983-1996	**$ 27,995**	$ 46,979
10¼% – 11¼% secured notes, 1988	**35,033**	41,735
12¾% – 13¼% debentures, 1993-2003	**115,000**	
Term bank credits (Note 6(a))	**240,336**	151,920
Other	**410**	6,659
	418,774	247,293
Gas utilities		
5¾% – 11⅜% first mortgage bonds, 1983-1998	**114,542**	124,270
9⅝% – 14% senior debentures, 1991-2008	**113,209**	65,908
6% subordinated notes, 1987	**1,641**	2,055
5¾% – 11¼% debentures, 1983-1991	**17,817**	20,592
12% – 13% exchangeable subordinated debentures, 1988-2000 (Note 3(c))	**81,016**	81,016
	328,225	293,841
	746,999	541,134
Deduct		
Long term debt held for sinking fund purposes	**33**	43
Current maturities on long term debt	**20,154**	40,787
	20,187	40,830
	$726,812	$500,304

(a) Lines of term credit, established with three Canadian banks, at December 31, 1983 amounted to U.S. $120,000,000 negotiated in 1982 which on maturity in 1986 may be extended at the borrower's option into a term loan with semi-annual principal repayments to retire the loan in 1994, and $89,296,000 negotiated in 1983 maturing in 1986. Indebtedness outstanding with applicable average annual costs were:

	1983 Outstanding	**1983** Average annual cost	1982 Outstanding	1982 Average annual cost
Commercial paper	**$ 48,000**	**10.1%**	$ 36,000	11.6%
Bankers' acceptances	**40,000**	**10.2%**		
Eurodollar advances	**U.S. 120,000**	**10.8%**	U.S. 90,000	10.7%

(b) Of the $328,225,000 of long term debt of the gas utilities, $71,345,000 represents amounts owing to N&C by GMi as a result of financings arranged in prior years by N&C for GMi (Note 3(a)).

The long term portion of securities issued in United States funds which mature between 1986 and 1994 are included above at their Canadian dollar equivalent (1983 – $225,817,000; 1982 – $199,192,000) at respective dates of issue. Repayment of such issues in their entirety at rates of exchange prevailing at year end would result in additional obligations of $13,120,000 at December 31, 1983 ($12,889,000 at December 31, 1982).

Long term debt maturities and sinking fund requirements for each of the four years subsequent to 1984 are as follows:

1985 – $22,224,000; 1986 – $127,000,000; 1987 – $45,825,000; 1988 – $109,856,000

Note 7

Minority interests in subsidiaries–preference shares

Preference shares in the amount of $36,412,000 at December 31, 1983 ($36,326,000 at December 31, 1982; $37,796,000 at December 31, 1981) are included in minority interests. The dividends paid on these shares were $2,618,000 in 1983 ($2,722,000 in 1982; $2,838,000 in 1981).

(Tabular amounts are in thousands of dollars)

Note 8
Shareholders' equity

(a) Capital stock
The authorized capital stock of Norcen at December 31, 1983 consists of 1,300,000 first preference shares without par value issuable in series; unlimited second and junior preference shares without par value issuable in series and unlimited voting and non-voting ordinary shares without par value. The maximum consideration for the issuance of first preference shares is $132,500,000.

Effective November 4, 1983, Norcen changed each outstanding common share into one voting ordinary share and one non-voting ordinary share, and cancelled any authorized but unissued common shares. The two classes of ordinary shares rank equally with each other and after all preference shares of Norcen with respect to priority on the payment of dividends. At the holder's option voting ordinary shares are convertible into non-voting ordinary shares, on a one-for-one basis, at any time. Non-voting ordinary shares are convertible into voting ordinary shares on a one-for-one basis, only in certain limited circumstances.

First preference shares, series A and series B (redeemable at Norcen's option at $27.50 and $26.50 per share, respectively) have voting rights.

The Convertible Junior Preference Shares, 1981 Series were issued to senior executives pursuant to the terms of the Preference Share Incentive Plan, are non-voting, pay no dividend and each becomes convertible into approximately 1.66 voting ordinary shares and 1.66 non-voting ordinary shares at the rate of 25% of the issue after each of the first four years. The preference shares are automatically redeemed at $50.00 per share after eight years or earlier in accordance with certain provisions of the plan.

The 7¾% Convertible Junior Preference Shares, 1983 Series were issued on December 1, 1983. These shares are non-voting and each is convertible at the option of the holder at any time up to the close of business on December 1, 1990 into approximately 1.28 non-voting ordinary shares. Subject to certain restrictions, the Convertible Junior Preference Shares, 1983 Series will be redeemable on or after December 1, 1986 at Norcen's option in whole or in part at any time at a price of $26.00, such price declining by $0.25 per annum until December 1, 1990 after which they are redeemable at the issue price of $25.00 per share.

Changes in Norcen's ordinary and junior preference share capital during the three years ended December 31, 1983 are as follows:

December 31, 1980
Issued for cash
Employee savings and investment plan
Employee stock purchase plan
Incentive stock option plan
Ordinary stock dividends
Junior preference shares
Converted preference shares
Purchased for cancellation
December 31, 1981
Issued for cash
Employee savings and investment plan
Incentive stock option plan
Ordinary stock dividends
Redeemed
Converted preference shares
Purchased for cancellation
December 31, 1982
Issued for cash
Preference shares
Employee savings and investment plan
Incentive stock option plan
Ordinary stock dividends
Redeemed
Converted preference shares
Purchased for cancellation
December 31, 1983

In addition, Norcen redeemed first preference shares during the three years ended December 31, 1983 as follows:

	Series A		Series B	
	Number of shares	Amount	Number of shares	Amount
1981	160	$ 4	47,529	$1,188
1982	170	4	19,655	491
1983	**525**	**13**	**14,036**	**351**

(Tabular amounts are in thousands of dollars)

Ordinary Shares				Junior Preference Shares					
Voting		Non-voting		1979 Series		1981 Series		1983 Series	
Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
26,659,794	$115,366	26,659,794	$115,366	745,752	$ 36,542				
74,770	1,085	74,770	1,085						
38,384	578	38,384	578						
12,025		12,025							
10,967	157	10,967	157						
						97,862	$4,893		
53,303	732	53,303	731	(29,850)	(1,463)				
(342,100)	(1,495)	(342,100)	(1,495)						
26,507,143	116,423	26,507,143	116,422	715,902	35,079	97,862	4,893		
85,087	1,149	85,087	1,149						
70,764		70,764							
18,742	247	18,742	248						
						(3,614)	(181)		
107,180	1,471	107,180	1,470	(60,021)	(2,941)				
(51,465)	(226)	(51,465)	(226)						
26,737,451	119,064	26,737,451	119,063	655,881	32,138	94,248	4,712		
								6,000,000	$147,180
64,844	1,056	92,811	1,511						
28,745		28,745							
16,987	279	16,987	280						
				(6,650)	(326)	(5,420)	(271)		
1,164,332	15,981	1,164,332	15,981	(649,231)	(31,812)	(3,011)	(150)		
(24)		(24)							
28,012,335	**$136,380**	**28,040,302**	**$136,835**			**85,817**	**$4,291**	**6,000,000**	**$147,180**

Voting and non-voting ordinary shares may be issued as follows:

	Voting	Non-voting(i)
Conversion of junior preference shares	142,494	8,196,350
Incentive stock option plan, of which market growth options were outstanding at December 31, 1983 on: 87,575 of each of the voting and non-voting ordinary shares at a combined exercise price of $22.375 expiring in 1984; 32,000 of each of the voting and non-voting ordinary shares at a combined exercise price of $30.125 expiring in 1986; and 105,000 non-voting ordinary shares at an exercise price of $15.6875 expiring in 1988	119,575	224,575

(i) Includes the conversion of 113,300 Convertible Junior Preference Shares, Series B allocated pursuant to the Preference Share Incentive Plan in late 1983 but not issued until February 1984. The Series B shares are identical to the Convertible Junior Preference Shares, 1981 Series in all respects except that they each become convertible into approximately 3.191 non-voting ordinary shares.

(b) Dividend restrictions

Covenants respecting certain of Norcen's long term debt impose a limit on dividend payments by Norcen, such limit being related in part to consolidated net income, as defined. Under the most restrictive of these covenants, retained earnings in the amount of $150 million were available for the payment of dividends at December 31, 1983.

(Tabular amounts are in thousands of dollars)

Note 9
Income taxes
Deferred income taxes result from timing differences in the recognition of income and expenses for income tax and financial statement purposes. The sources of these differences and the tax effect of each are as follows:

	Year ended December 31 **1983**	1982	1981
Exploration and development expenditures and capital cost allowances deducted for income tax purposes in excess of depletion and depreciation	**$ 39,239**	$ 38,754	$ 28,303
Other items, net	**3,537**	1,543	2,384
	$ 42,776	$ 40,297	$ 30,687

The foregoing amounts exclude deferred income taxes of $6,100,000 in 1983 ($5,300,000 in 1982, $4,100,000 in 1981), and $64,900,000 in total to December 31, 1983, applicable to the gas utility subsidiaries which are not recorded in the accounts for the reasons outlined in Note 1. These deferred income taxes are primarily based on timing differences between capital cost allowance and depreciation.

The provision for income taxes in the consolidated statement of income varies from the amounts that would be computed by applying the Canadian federal statutory rate of 46% to income before income taxes, equity earnings, dividend income, minority interests and extraordinary item for the following reasons:

	Year ended December 31 **1983**	1982	1981
Income before income taxes and other items	**$ 158,575**	$ 121,561	$ 82,295
Canadian federal statutory rate of income tax	**46.0%**	46.0%	46.0%
Computed income tax expense	**$ 72,945**	$ 55,918	$ 37,856
Increase (decrease) in income taxes resulting from:			
Non-deductible production revenue taxes	**23,941**	20,418	8,338
Income tax depletion	**(6,378)**	(11,685)	(7,797)
Incremental exempt income	**(5,800)**	(9,489)	
Gas utility capital cost allowance deducted for income tax purposes in excess of depreciation	**(1,109)**	(3,239)	(3,434)
Provincial income taxes in excess of federal abatement	**2,561**	2,014	1,552
Non-deductible royalties, mineral taxes and other expense, less federal resource allowance and provincial rebates	**(753)**	(18)	2,310
Other, net	**123**	1,185	2,914
Actual income tax expense	**$ 85,530**	$ 55,104	$ 41,739
Effective tax rate	**53.9%**	45.3%	50.7%

Note 10
Financial data by business segment

	Year ended December 31 **1983**	1982	1981
Oil and Gas			
Sales and other revenues	**$ 388,925**	$ 332,789	$ 244,337
Gas purchases	**47,284**	41,429	34,276
Production, operations and administration	**93,652**	88,919	74,664
Depreciation and depletion	**59,950**	44,935	33,926
	200,886	175,283	142,866
Operating income	**$ 188,039**	$ 157,506	$ 101,471
Mineral resources			
Sales and other revenues	**$ 20,039**	$ 5,290	$ 2,673
Operations and administration	**2,420**	1,309	2,800
Depreciation and depletion	**2,233**		
	4,653	1,309	2,800
Operating income	**$ 15,386**	$ 3,981	$ (127)

(Tabular amounts are in thousands of dollars)

	Year ended December 31		
	1983	1982	1981
Gas utilities			
Sales and other revenues(i)	**$ 723,878**	$ 675,108	$ 586,747
Gas purchases	**595,923**	554,747	483,903
Production, operations and administration	**56,818**	52,285	44,916
Depreciation and depletion	**11,463**	10,665	9,210
	664,204	617,697	538,029
Operating income	**$ 59,674**	$ 57,411	$ 48,718
Consolidated total			
Sales and other revenues	**$1,132,842**	$1,013,187	$ 833,757
Operating costs and expenses	**869,743**	794,289	683,695
Operating income	**263,099**	218,898	150,062
Interest and other financial expense	**91,392**	85,189	59,389
Income taxes	**85,530**	55,104	41,739
Minority interests	**4,263**	4,309	3,404
	181,185	144,602	104,532
Income before extraordinary item	**$ 81,914**	$ 74,296	$ 45,530
Capital expenditures			
Oil and Gas(ii)	**$ 106,090**	$ 133,995	$ 100,914
Mineral resources	**442**	27,721	
Gas utilities	**45,095**	30,678	39,161
	$ 151,627	$ 192,394	$ 140,075
Identifiable assets			
Oil and Gas	**$1,001,111**	$ 939,745	$ 810,812
Mineral resources	**490,092**	190,883	40,808
Gas utilities	**638,020**	598,999	569,729
	$2,129,223	$1,729,627	$1,421,349

(i) Includes GMi investment income of $7,409,000 in 1983; $6,858,000 in 1982 and $5,705,000 in 1981.

(ii) Net of petroleum incentive payments of $84,229,000 in 1983; $83,758,000 in 1982 and $48,044,000 in 1981.

Note 11

United States accounting principles

Norcen follows Canadian accounting principles which are different in some respects from those applicable in the United States and from practices prescribed by the United States Securities and Exchange Commission ("SEC"). These differences would have affected income applicable to ordinary shares as follows:

	Year ended December 31		
	1983	1982	1981
Income applicable to ordinary shares before extraordinary item based on Canadian accounting principles	**$ 79,696**	$ 72,150	$ 43,198
Foreign currency translation adjustment on long term debt(i)	**231**	3,725	2,246
Application of SEC prescribed full cost method net of related deferred income taxes(ii)	**4,150**	246	(9,891)
Amortization of excess cost of minority shares in 1975 reorganization(iii)	**(668)**	(601)	(525)
Extraordinary item(iv)			8,048
Income applicable to ordinary shares based on United States accounting principles	**$ 83,409**	$ 75,520	$ 43,076
Earnings per ordinary share before extraordinary item			
Canadian	**$ 1.46**	$ 1.36	$ 0.81
United States	**$ 1.52**	$ 1.42	$ 0.80

(i) Under United States accounting principles long term debt in foreign currency would be translated at the rate of exchange in effect at year end whereas Norcen has followed the practice of translating these amounts at their historical rate of exchange.

(ii) Norcen accounts for its exploration and development expenditures under the full cost method on a world-wide basis. This adjustment reflects the country-by-country full cost method prescribed by the SEC.

(iii) A corporate reorganization in 1975 was accounted for in the manner of a pooling of interests. Under

(Tabular amounts are in thousands of dollars)

United States accounting principles, it would have been accorded purchase accounting treatment. Accordingly, the cost of the minority shares over their underlying book value of $16,900,000 would have been included in properties, plant and equipment.
(iv) In 1981 the reversal of a provision for costs of discontinued operations of Coleman was classified as an extraordinary item. Under United States accounting principles, this adjustment would not have been an extraordinary item.

The cumulative effect of the application of the above noted United States accounting principles on retained earnings would be as follows:

	December 31		
	1983	1982	1981
Retained earnings based on Canadian accounting principles	**$311,385**	$258,874	$214,167
Write-off of unrealized exchange losses on long term debt	**(13,120)**	(12,889)	(16,614)
Application of SEC full cost method	**(27,301)**	(31,451)	(31,697)
Amortization of excess cost of minority shares in 1975 reorganization	**(6,879)**	(6,211)	(5,610)
Other(i)	**(20,920)**	(20,920)	(20,920)
Retained earnings based on United States accounting principles	**$243,165**	$187,403	$139,326

(i) Cumulative effect of income accruing to the minority interests prior to the date of the 1975 reorganization, net of the excess cost of the minority shares, would not have been credited to retained earnings.

Note 12
Contingent liability
Norcen, through a wholly-owned subsidiary, receives royalty payments from Suncor Inc. ("Suncor") in respect of synthetic crude oil mined from an oil sands lease in which Norcen has a 25% royalty interest. In 1982 a dispute developed over the amount of the royalty payable to Norcen. Suncor took the position that the revenue upon which the royalty is calculated should not include petroleum compensation payments paid by the federal government and commenced proceedings in the Alberta courts seeking a declaration to that effect. Norcen in turn commenced an action against Suncor seeking recovery of unpaid royalties for the month of July 1982. Such claim will be amended by Norcen to $19,386,484 which is the cumulative amount of unpaid royalties accrued in Norcen's accounts to December 31, 1983.

In 1983, Suncor filed a counterclaim seeking recovery of $7,674,010 plus interest from Norcen on account of monies paid to Norcen from April 1979 to June 1982 which Suncor says were paid by inadvertance and mistake of fact. Norcen has been advised by Suncor that the amount of their claim will be amended to $31,046,785 plus interest.

Norcen believes it will succeed on its claim and successfully defend the counterclaim. The foregoing claims after deducting income and other tax levies have been reflected in net income in the amounts of approximately $4,407,000; $5,498,000; $422,000; $12,412,000 and $4,555,000 in the years 1983 to 1979, respectively.

(Tabular amounts are
in thousands of dollars)

Supplemental information

Quarterly and other financial data

The following quarterly financial data presented takes into effect the November 4, 1983 change of each common share into one voting ordinary share and one non-voting ordinary share (Note 8(a)), except for the market price share information as indicated:

	Quarter				Year
	First	Second	Third	Fourth	
1983					
Sales and other revenues	**$351,494**	**$240,697**	**$203,936**	**$336,715**	**$1,132,842**
Net income	**32,082**	**15,888**	**9,402**	**24,542**	**81,914**
Earnings per ordinary share					
Basic	**0.59**	**0.28**	**0.17**	**0.42**	**1.46**
Fully diluted(i)	**0.57**	**0.28**	**0.17**	**0.41**	**1.44**
Dividends paid per ordinary share(ii)	**0.125**	**0.125**	**0.125**	**0.125**	**0.50**
Market price per share(iii)					
Voting ordinary					
High				**19¼**	
Low				**16¾**	
Non-voting ordinary					
High				**17⅛**	
Low				**15⅝**	
Common					
High	**33**	**37¼**	**41**	**38⅜**	
Low	**28⅛**	**29⅝**	**35¼**	**33⅞**	
1982					
Sales and other revenues	$319,816	$209,492	$180,398	$303,481	$1,013,187
Net income	25,126	15,028	11,905	22,237	74,296
Income per ordinary share					
Basic	0.47	0.27	0.21	0.41	1.36
Fully diluted(i)	0.47	0.27	0.19	0.40	1.33
Dividends paid per ordinary share(ii)	0.125	0.125	0.125	0.125	0.50
Market price per common share(iii)					
High	27	27¾	32½	35¼	
Low	21¾	22⅞	25	28½	

(i) The sum of quarterly earnings per share for the year does not equal earnings per share for the year due to the effect on average outstanding shares of the conversion of preference shares.

(ii) United States residents are subject to a 15% withholding tax.

(iii) The market prices are as reported by The Toronto Stock Exchange, which is the principal market of the ordinary shares of Norcen. There is no established public trading market in the United States.

Oil and Gas information

The following unaudited supplementary information is disclosed in accordance with the provisions of the Financial Accounting Standards Board ("FASB") Statement No. 69 "Disclosures about Oil and Gas Producing Activities". These new FASB requirements were developed with the support of the SEC, which rescinded certain disclosure requirements, including the experimental reserve recognition accounting.

Exploration and production activities

Norcen has capitalized property acquisition, exploration and development costs pertaining to its Canadian and foreign oil and gas operations as follows:

	December 31	
	1983	1982
Properties		
Canada		
proven	**$ 790,788**	$ 716,749
unproven	**51,881**	32,439
Foreign(i)		
proven	**75,306**	86,387
unproven	**11,226**	12,008
Production equipment	**192,687**	170,132
	1,121,888	1,017,715
Accumulated depreciation, depletion and amortization	**328,644**	270,888
Capitalized costs	**$ 793,244**	$ 746,827

(i) Principal areas of spending have been in Australia, the United Kingdom and the United States.

(Tabular amounts are
in thousands of dollars)

The following table presents information on Norcen's oil and gas property acquisition, exploration and development activities.

	Canada	Foreign	Total
Costs capitalized in the year			
1983			
Property acquisition	**$ 20,068**	**$ 2,970**	**$ 23,038**
Exploration(i)			
proven	**40,283**	**(11,261)**	**29,022**
unproven	**19,442**	**(782)**	**18,660**
Development(i)	**35,702**	**(2,249)**	**33,453**
Total capitalized	**$115,495**	**$(11,322)**	**$104,173**
1982			
Property acquisition	$ 15,112	$ 865	$ 15,977
Exploration(i)			
proven	121,000	26,441	147,441
unproven	(71,685)	(4,806)	(76,491)
Development(i)	41,263	3,535	44,798
Total capitalized	$ 105,690	$ 26,035	$ 131,725
1981			
Property acquisition	$ 4,976	$ 2,613	$ 7,589
Exploration(i)			
proven	32,055	11,628	43,683
unproven	11,808	5,775	17,583
Development(i)	29,843	584	30,427
Total capitalized	$ 78,682	$ 20,600	$ 99,282

(i) Exploration and development costs in Canada are shown net of petroleum incentive payments earned of $84,229,000 in 1983, ($83,758,000 in 1982; $48,044,000 in 1981).

	Canada	Foreign	Total
Net revenues from producing oil and gas			
1983			
Gross revenue(i)	**$476,765**	**$ 2,618**	**$479,383**
Production expenses	**224,828**	**1,140**	**225,968**
Depreciation, depletion and amortization expense	**51,960**	**5,880**	**57,840**
	199,977	**(4,402)**	**195,575**
Income tax expense	**110,033**		**110,033**
Results of operations from producing activities (excluding corporate overhead and interest costs)	**$ 89,944**	**$ (4,402)**	**$ 85,542**
1982			
Gross revenue(i)	$ 398,184	$ 2,210	$ 400,394
Production expenses	194,411	830	195,241
Depreciation, depletion and amortization expense	38,104	4,944	43,048
	165,669	(3,564)	162,105
Income tax expense	72,754		72,754
Results of operations from producing activities (excluding corporate overhead and interest costs)	$ 92,915	$ (3,564)	$ 89,351
1981			
Gross revenue(i)	$ 281,947	$ 1,365	$ 283,312
Production expenses	139,273	401	139,674
Depreciation, depletion and amortization expense	29,670	2,337	32,007
	113,004	(1,373)	111,631
Income tax expense	54,762		54,762
Results of operations from producing activities (excluding corporate overhead and interest costs)	$ 58,242	$ (1,373)	$ 56,869

(i) Revenue is gross of production revenue taxes of $52,046,000 in 1983 ($44,387,000 in 1982; $18,126,000 in 1981) and freehold and crown royalty payments of $122,644,000 in 1983 ($103,501,000 in 1982; $81,936,000 in 1981) which have been included in production expenses.

Reserves as determined by company engineers are stated on a before royalty basis and include proven remaining reserves together with probable additional reserves reduced by a risk factor, all in accordance with Canadian practice.

The reserve information provided below, as determined by independent reservoir engineers, McDaniels & Associates Consultants Ltd., is provided on a proven reserve basis only after deducting royalty interests of governments and others. All of Norcen's proven reserves are developed. The reserve quantity information summarizes the changes in quantities of net proven Canadian oil and gas reserves. Such quantities vary from reserves determined by company engineers primarily due to timing differences in making reserve estimates.

	Year ended December 31					
	1983		1982		1981	
	liquids (000s bbls)	gas (mmcf)	liquids (000s bbls)	gas (mmcf)	liquids (000s bbls)	gas (mmcf)
Beginning of year	**73,473**	**696,889**	79,121	617,663	80,103	644,429
Revisions of previous estimates	**5,668**	**(17,208)**	843	61,690	5,561	(20,578)
Purchase of reserves in place				13,393		
Extensions, discoveries and other additions	**2,552**	**15,861**	1,042	38,149	213	25,347
Production	**(8,554)**	**(29,948)**	(7,533)	(34,006)	(6,756)	(31,535)
End of year	**73,139**	**665,594**	73,473	696,889	79,121	617,663

Oil and gas liquids at the end of each year include 18.2, 17.4, 17.2 million barrels in 1983, 1982, and 1981, respectively as Norcen's oil sands royalty interest.

Standardized measure of discounted future net cash flows and changes therein relating to proved oil and gas reserves

In calculating the standardized measure of discounted future net cash flows, prices and costs in effect at January 1, 1984 were assumed to be constant, were applied to proven reserves and provision was made for estimated future development expenditures that will be required to produce the reserves. Royalty deductions were based on laws, regulations and contracts existing at the end of the fiscal year. The discounted future net cash flows are derived by applying a 10% discount factor, as required by the FASB Statement No. 69 rules, to the future net cash flows. Management believes that this information does not sufficiently reflect the current economic value of the oil and gas producing properties or the present value of estimated future cash flows since no economic value is attributed to potential reserves, the use of a 10% discount rate is arbitrary and prices constantly change from year end levels.

	Year ended December 31		
	1983	1982	1981
	(millions of dollars)		
Future cash inflows	**$5,584**	$5,851	$5,451
Future production costs	**2,808**	2,828	3,039
Future development costs	**60**	55	68
Future income tax expense (undiscounted)	**1,478**	1,613	1,278
Future net cash flows	**$1,238**	$1,355	$1,066
Standardized measure of discounted future net cash flows	**$ 649**	$ 680	$ 484

The following table sets out principal sources of change in the standardized measure of discounted future net cash flows during the respective years:

	Year ended December 31		
	1983	1982	1981
	(millions of dollars)		
Sales of oil and gas and value of transfers	**$(253)**	$(204)	$(141)
Net changes in prices and production costs			
conventional reserves	**(11)**	259	16
oil sands royalty	**(22)**	36	74
Extensions, discoveries and improved recovery, less related costs	**55**	38	22
Purchases of reserves in place		14	
Development costs incurred during the period	**7**	11	13
Revisions of previous quantity estimates and other	**54**	162	89
Accretion of discount	**68**	48	46
Net changes in income taxes	**71**	(168)	(97)
Net increase (decrease)	**(31)**	196	22
Beginning of year	**680**	484	462
End of year	**$ 649**	$ 680	$ 484

Five-year summary

	1983	1982	1981	1980	1979
Income	(millions of dollars)				
Sales and other revenues					
Oil and Gas	**$ 388.9**	$ 332.8	$ 244.3	$ 266.1	$ 208.8
Mineral resources	**20.0**	5.3	2.7		
Gas utilities	**723.9**	675.1	586.7	487.9	442.0
	1,132.8	1,013.2	833.7	754.0	650.8
Costs and expenses					
Gas purchases	**643.2**	596.2	518.2	420.4	371.6
Production, operations and administration	**152.9**	142.5	122.4	106.8	87.8
Depreciation and depletion	**73.6**	55.6	43.1	45.3	37.3
Interest	**91.4**	85.2	59.4	47.2	43.8
Income taxes	**85.5**	55.1	41.7	44.5	39.7
Minority interests	**4.3**	4.3	3.4	3.9	3.7
	1,050.9	938.9	788.2	668.1	583.9
Income before extraordinary items	**$ 81.9**	74.3	45.5	85.9	66.9
Dividends on preference shares	**$ 2.2**	2.1	2.3	2.4	3.8
Income applicable to ordinary shares before extraordinary items	**$ 79.7**	$ 72.2	$ 43.2	$ 83.5	$ 63.1
Funds from operations	**$ 203.1**	$ 175.9	$ 122.8	$ 171.7	$ 131.6
Capital expenditures					
Oil and Gas	**$ 190.3**	$ 217.8	$ 148.9	$ 188.4	$ 172.7
Mineral resources	**0.4**	27.7			
Gas utilities	**45.1**	30.7	39.2	30.2	16.9
	$ 235.8	$ 276.2	$ 188.1	$ 218.6	$ 189.6
Ordinary shares(i)	(millions)				
Average number of outstanding	**54.7**	53.2	53.4	52.9	46.8
Number of shareholders	(thousands)				
voting	**18.1**	20.9	22.3	24.0	28.8
non-voting	**18.7**	20.9	22.3	24.0	28.8
Earnings per share	(dollars)				
(before extraordinary items)	**$ 1.46**	$ 1.36	$ 0.81	$ 1.58	$ 1.35
Dividends per share	**$ 0.50**	$ 0.50	$ 0.50	$ 0.475	$ 0.38
Market price					
High	**$ 20.50**	$ 17.63	$ 17.13	$ 20.00	$ 17.00
Low	**$ 14.06**	$ 10.88	$ 10.50	$ 14.00	$ 8.25
Close					
voting	**$ 17.13**	$ 14.56	$ 13.44	$ 15.50	$ 15.94
non-voting	**$ 16.13**	$ 14.56	$ 13.44	$ 15.50	$ 15.94
Capitalization	(millions of dollars)				
Demand bank credits	**$ 98.1**	$ 181.4	$ 173.4	$ 85.9	$ 67.0
Long term debt (excluding current maturities)	**726.8**	500.3	364.1	342.0	334.3
Deferred income taxes	**227.9**	181.6	141.3	110.6	73.5
Minority interests	**46.3**	44.3	44.2	45.8	46.5
Redeemable preference shares	**153.2**	38.9	42.6	40.3	110.0
Ordinary shareholders' equity	**584.6**	497.0	447.0	426.4	297.1
	$1,836.9	$1,443.5	$1,212.6	$1,051.0	$ 928.4
Assets					
Properties, plant and equipment	**$1,386.4**	$1,097.9	$ 962.1	$ 866.2	$ 693.3
Working capital (deficiency), excluding demand bank credits	**$ 61.2**	$ 16.2	$ 18.3	$ (2.7)	$ 7.5
Working capital (deficiency), including demand bank credits	**$ (36.9)**	$ (165.2)	$ (155.2)	$ (88.6)	$ (59.5)
Total assets	**$2,129.2**	$1,729.6	$1,421.3	$1,222.9	$1,045.4

(i) On the assumption that, prior to a change in share capital on November 4, 1983, each ordinary share was equivalent to one-half a common share.

	1983	1982	1981	1980	1979
Oil and Gas					
Production (before royalties)					
	(thousands of barrels per day)				
Crude oil, synthetic crude oil and natural gas liquids	**30.9**	27.0	24.9	27.2	26.0
	(millions of cubic feet per day)				
Natural gas	**119.3**	137.8	131.9	149.7	169.3
	(thousands of long tons)				
Sulphur	**34.0**	44.0	39.3	36.9	36.8
	(millions of cubic feet per day)				
Gas gathering and transmission sales	**45.6**	45.8	48.2	53.9	55.0
	(thousands of barrels per day)				
Oil gathering and transmission throughput	**81.2**	77.1	63.2	70.4	73.9
	(millions of imperial gallons)				
Liquefied petroleum gas sales	**60.2**	65.2	61.2	62.8	78.9
Reserves (before royalties)					
	(millions of barrels)				
Oil and Gas liquids	**117.5**	114.3	119.7	122.1	129.0
	(billions of cubic feet)				
Natural gas	**1,103.0**	1,133.0	1,127.3	1,127.4	1,144.9
	(thousands of long tons)				
Sulphur	**438.0**	492.0	437.0	489.0	540.0
	(millions of gross acres)				
Oil and Gas land holdings	**21.5**	23.1	23.6	30.0	40.5
	(millions of net acres)				
	4.6	5.4	5.9	7.1	8.8
Mineral resources (acquired in July 1983)					
Iron ore sales					
	(millions of tonnes)				
Pellets	**6.3**	6.1	11.6	12.3	15.2
Concentrates and other	**6.8**	7.4	9.6	9.2	10.6
	13.1	13.5	21.2	21.5	25.8
Gas utilities					
Gas sales					
	(billions of cubic feet)				
Industrial firm	**46.4**	50.3	60.8	60.7	59.6
interruptible	**37.6**	35.2	44.9	45.5	51.4
Commercial	**32.8**	34.7	32.3	33.7	33.8
Residential	**33.6**	35.1	31.2	33.0	34.4
	150.4	155.3	169.2	172.9	179.2
	(thousands)				
Customers at year-end	**297.4**	287.4	279.5	263.7	255.2
Employees at year-end					
	(number)				
Oil and Gas and Mineral resources	**1,046**	1,135	1,027	1,045	1,259
Gas utilities	**1,130**	1,090	1,095	1,058	952
	2,176	2,225	2,122	2,103	2,211

Directors and officers

Directors

Robert F. Anderson[4]
Cleveland, Ohio
Chairman, President and Chief Executive Officer, The Hanna Mining Company
Chairman, President and Chief Executive Officer, Iron Ore Company of Canada

Donald D. Barkwell
Calgary, Alberta
Executive Vice-President

Douglas G. Bassett[4]
Toronto, Ontario
President and Chief Executive Officer, Baton Broadcasting Incorporated

Edward G. Battle[1]
Toronto, Ontario
President and Chief Executive Officer

Conrad M. Black[1]
Toronto, Ontario
Chairman of the Board
Chairman, Argus Corporation Limited

G. Montegu Black[1,3]
Toronto, Ontario
President and Chief Executive Officer, Argus Corporation Limited

Edmund C. Bovey, C.M.[1]
Toronto, Ontario
Director of various companies

Dixon S. Chant[1,3]
Toronto, Ontario
Executive Vice-President, Argus Corporation Limited

E. Jacques Courtois, Q.C.[1]
Montreal, Quebec
Partner, Stikeman Elliott
Barristers and Solicitors

Robert Després, O.C.[3]
Quebec City, Quebec
Chairman, Atomic Energy of Canada Limited

Fredrik S. Eaton[3,4]
Toronto, Ontario
Chairman, President and Chief Executive Officer, The T. Eaton Company Limited

John R. Finlay, Q.C.[2]
Toronto, Ontario
Vice-President, Argus Corporation Limited

Percy C. Finlay, Q.C.[4]
Toronto, Ontario
Chairman, Hollinger Argus Limited and Labmin Resources Limited
Partner, Holden, Murdoch and Finlay
Barristers and Solicitors

Frederick A.M. Huycke, Q.C.
Toronto, Ontario
Partner, Osler, Hoskin & Harcourt
Barristers and Solicitors

J. Louis Lebel, Q.C.[2]
Calgary, Alberta
Counsel to McLaws and Company
Barristers and Solicitors
President, Dome Canada Limited

Richey B. Love, Q.C.[2]
Calgary, Alberta
Partner, Macleod Dixon
Barristers and Solicitors

Hon. W. John McKeag[2]
Winnipeg, Manitoba
President, McKeag Realty Ltd.

F. David Radler[2,3]
Vancouver, British Columbia
President, Sterling Newspapers Ltd.

C. Bruce Ross
Toronto, Ontario
Vice-President, Minerals
President, Labrador Mining and Exploration Company Limited
President, Labmin Resources Limited

Barbara J. Sparrow[4]
Calgary, Alberta
Chairman, Calgary General Hospital
Member of the Council for The College of Physicians and Surgeons for the Province of Alberta

John R. Yarnell[2]
Toronto, Ontario
President, Yarnell Companies Limited

[1]Executive Committee
[2]Audit Committee
[3]Compensation Committee
[4]Pension Committee

Officers

Conrad M. Black
Chairman of the Board

Edward G. Battle
President and Chief Executive Officer

Donald D. Barkwell
Executive Vice-President

Barry D. Cochrane
Senior Vice-President

Jean-J. Leroux
Senior Vice-President, Utilities

Paul H. Palmer
Senior Vice-President, Administration and Comptroller

Ken L. Colby
Vice-President, Corporate Affairs

William C. Hennenfent
Vice-President, Exploration

William T. Kilbourne
Vice-President, Legal and Secretary

Wilfrid A. Loucks
Vice-President

Wayne M. Newhouse
Vice-President, Production

C. Bruce Ross
Vice-President, Minerals

Timothy G. Sheeres
Vice-President, Finance

Gordon B. Singer
Vice-President, Accounting and Services

Arthur L. Wood
Vice-President, Heavy Oil

Alick S.G. Duguid
Treasurer

Douglas A. Love
Assistant Secretary

Russell G. Rennie
Assistant Secretary

E.M. (Lynne) Macdonald
Assistant Treasurer

Mart Pedel
Assistant Treasurer

Distribution of voting ordinary shares
As at December 31, 1983

	Shareholders		Shares	
	Number	Percent	Number	Percent
			(thousands)	
Alberta	1,209	6.67	1,030	3.68
British Columbia	2,163	11.93	880	3.14
Manitoba	834	4.60	540	1.93
New Brunswick	182	1.00	40	.14
Newfoundland	35	.19	11	.04
Northwest Territories	6	.03	1	.01
Nova Scotia	468	2.58	155	.55
Ontario	7,021	38.74	21,127	75.43
Prince Edward Island	51	.28	14	.05
Quebec	2,083	11.49	3,666	13.09
Saskatchewan	396	2.18	68	.23
Yukon	5	.03	1	.01
Total Canadian	14,453	79.72	27,533	98.30
U.S.A.	3,535	19.50	442	1.58
Other foreign	141	.78	37	.12
Total	18,129	100.00	28,012	100.00

Distribution of non-voting ordinary shares
As at December 31, 1983

	Shareholders		Shares	
	Number	Percent	Number	Percent
			(thousands)	
Alberta	1,928	10.29	1,150	4.10
British Columbia	2,159	11.52	883	3.15
Manitoba	826	4.41	721	2.56
New Brunswick	180	.96	40	.14
Newfoundland	34	.18	5	.02
Northwest Territories	6	.03	1	.01
Nova Scotia	463	2.47	151	.54
Ontario	6,960	37.16	21,211	75.65
Prince Edward Island	51	.27	14	.05
Quebec	2,062	11.01	3,314	11.81
Saskatchewan	398	2.12	68	.24
Yukon	5	.03	1	.01
Total Canadian	15,072	80.45	27,559	98.28
U.S.A.	3,525	18.81	445	1.59
Other foreign	139	.74	37	.13
Total	18,736	100.00	28,041	100.00

Corporate information

Offices

Executive & Registered

4600 Toronto-Dominion Centre
Toronto, Ontario
M5K 1E5
(416) 947-4000

Oil and Gas division

Norcen Energy Resources Limited[1]

Cigas Products Ltd.[2,7]

Prairie Oil Royalties Company, Ltd.[3,9]

Norcen International Ltd.[2,7]
715-5th Avenue S.W.
Calgary, Alberta
T2P 2X7
(403) 231-0111

Mineral resources division

Labrador Mining and Exploration Company Limited[4,7]
4600 Toronto-Dominion Centre
Toronto, Ontario
M5K 1E5
(416) 947-4000

Coleman Collieries Limited[2,9]
Coleman, Alberta
T0K 0M0
(403) 562-2841

Gas utilities division

Northern and Central Gas Corporation Limited[5,7]
245 Yorkland Boulevard
North York, Ontario
M2J 1R1
(416) 491-1880

Greater Winnipeg Gas Company[6,8]
265 Notre Dame Avenue
Winnipeg, Manitoba
R3B 1N9
(204) 988-3711

[1] Federal company
[2] Alberta company
[3] Saskatchewan company
[4] Newfoundland company
[5] Ontario company
[6] Manitoba company
[7] 100% owned
[8] More than 99% owned
[9] 74% owned

Transfer agents and registrars

Ordinary shares
National Trust Company, Limited
Toronto, Calgary, Montreal, Winnipeg and Vancouver

Canada Permanent Trust Company
Regina

Morgan Guaranty Trust Company of New York,
New York

Preference shares
National Trust Company, Limited
Toronto, Calgary, Montreal, Winnipeg and Vancouver

Canada Permanent Trust Company
Regina

Stock exchange listings and symbols

Toronto and Montreal stock exchanges
Voting Ordinary Shares: NCN
Non-Voting Ordinary Shares: NCN.A
First Preference Shares, Series A: NCNPr.A
First Preference Shares, Series B: NCNPr.B
Junior Preference Shares, 1983 Series: NCNPr.E

Luxembourg Stock Exchange
12¾% Unsecured Debentures, Series A

Trustees

10¼% & 11¼% Secured Notes due December 31, 1988
The Royal Trust Company, Toronto

11¼% Secured Debentures due August 15, 1996
National Trust Company, Limited, Toronto

12¾% Unsecured Debentures, Series A due August 15, 1993
Guaranty Trust Company of Canada, Toronto

13¼% Unsecured Debentures, Series B due December 19, 2003
Guaranty Trust Company of Canada, Toronto

Auditors

Thorne Riddell
Chartered Accountants

10-K Report

A copy of the Company's 10-K report filed with the United States Securities and Exchange Commission will be sent to any registered shareholder upon written request to the Company Secretary.

Annual Meeting

The annual meeting of shareholders will be held in Commerce Hall, Commerce Court West, King and Bay Streets, Toronto, Ontario, on Tuesday, April 17, 1984 at 10:00 a.m. local time. Shareholders are encouraged to attend the meeting, but those unable to do so are asked to sign and return the form of proxy mailed with this report.

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